

BUSINESS WEEK

WEEK
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BUSINESS
WEEK
INDEX

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CLEARED FOR ACTION

*A picture of Warner & Swasey and its men at work
24 hours a day, to do their utmost to help in today's emergency.*



Two plant additions are under way. It would be more profitable for us to use old space at capacity over a longer period. But plants essential to America's security program must have turret lathes quickly.



Foreign orders for hundreds of machines have to be turned down because America's own defense program *must* come first.



There goes a new Warner & Swasey to an aircraft plant, another to a government arsenal. Warner & Swasey makes no munitions but we supply the turret lathes without which many of them could not be made.



Inspection still goes on as carefully as ever. We are pushing our plant and ourselves to the limit but we will not allow Warner & Swasey standards to suffer, and you would not want us to do so.



New equipment has increased our plant capacity more than 50% (we take our own advice). Plant additions will bring the increase to 100%.

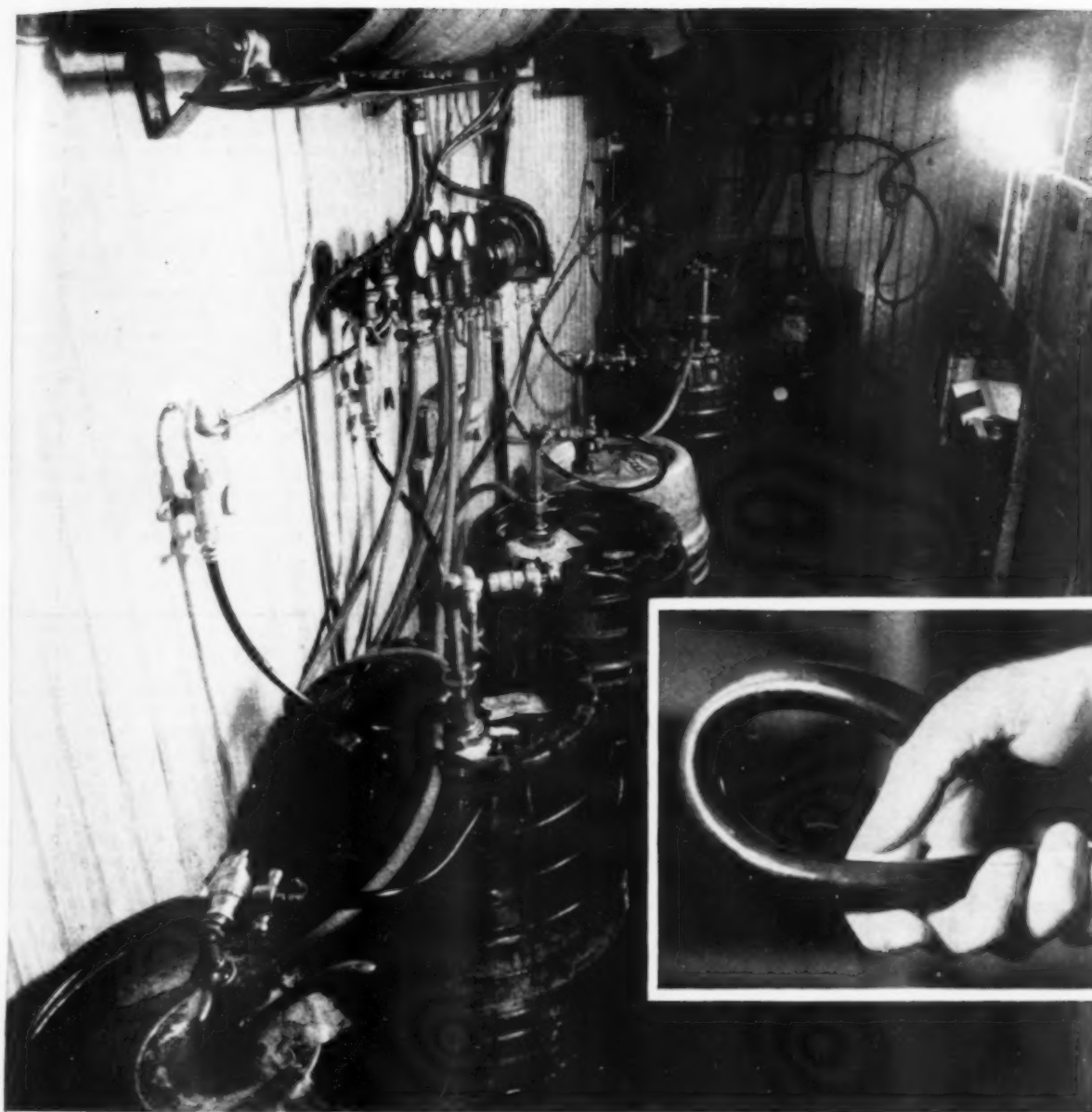


Development still goes on. The calmest men in the plant are the engineers who quietly continue their work to improve and perfect the Warner & Swasey of tomorrow. Peace will return, and when it does we want to have for you the turret lathe that can help you compete with any foreign manufacturer.

*This, then, is a quick picture of
Warner & Swasey at work to serve
you to the very best of our ability.*

**YOU CAN TURN IT BETTER, FASTER, FOR
LESS . . . WITH A WARNER & SWASEY**

**WARNER
&
SWASEY**
Turret Lathes
Cleveland



Elbow bending begins in the cellar

A typical example of Goodrich development in synthetics

AT MOST BARS beer travels a long way before it reaches the tap—from barrels deep in the basement where constant cold protects the flavor. But these basement refrigerated rooms were a constant worry to the bartender.

Because beer barrels must be shifted, the tubing from barrel to fixed pipe must be flexible. Soft metal was used but it broke at the elbow just as wire breaks if you bend it a few times.

Goodrich engineers had an idea. They had developed a new synthetic

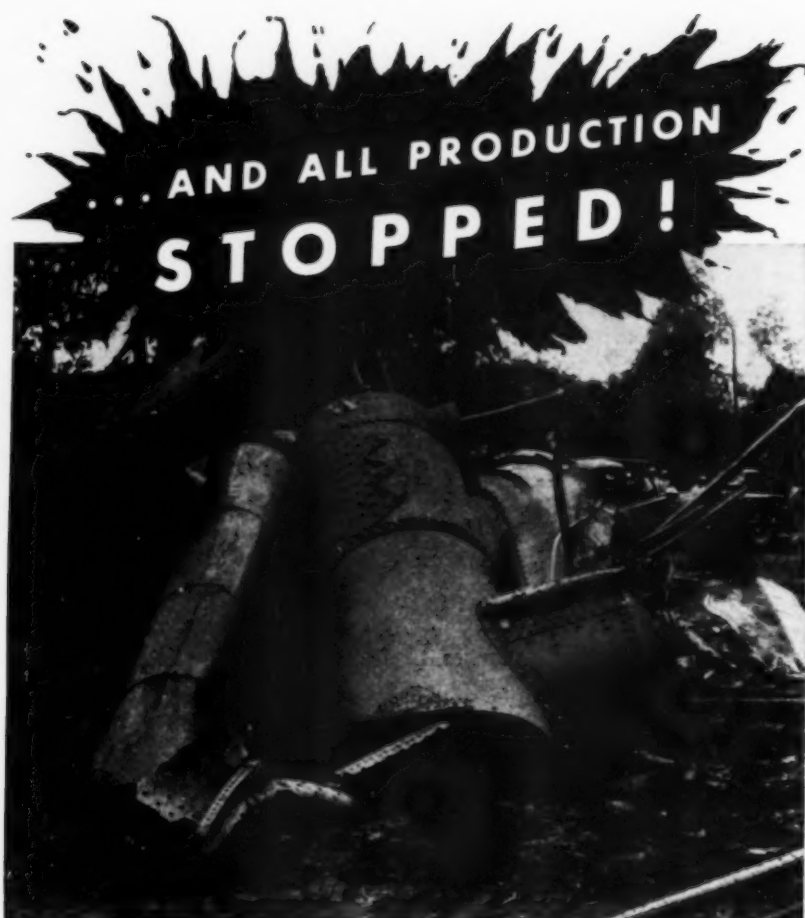
called Koroseal, as flexible as a rubber band and so impervious to liquids it was used to line acid tanks. Why couldn't it be used as beer tubing?

They tried it, and added a smooth "fire polish" to make cleaning easy. This Koroseal tube has now been in use more than a year—not a piece has broken and so cost is less, it's easier to keep clean, it is as tasteless as glass. Koroseal is now standard with the largest breweries and beer equipment manufacturers.

This same Koroseal, by the way, is the same product other manufacturers are using to make permanently waterproof, stainproof raincoats, shower curtains, tablecloths. But that's another chapter—another chapter in the fascinating continued story of Goodrich research. *The B. F. Goodrich Company, Mechanical Division, Akron, O.*

Goodrich

ALL products problems IN RUBBER



When a steam boiler, a whirling fly-wheel or a speeding turbine "lets go," it is usually with terrifying suddenness—and very often with serious property loss and human tragedy.

Yet, it doesn't take a destructive accident to be financially disastrous. . . . A ruptured boiler tube—a broken crank-shaft—a shorted generator armature—can put a power-plant out of action for days. And when power fails, *everything* stops! Production and sales losses pile up. Contract penalties may be incurred. Prestige may suffer.

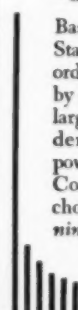
It is the *specialized* business of Hartford Steam Boiler to serve its policyholders through the *prevention* of losses due to power-plant failure . . . as well as to reimburse them through insurance should accident still befall.

Each piece of Hartford-insured equipment is inspected periodically by what is considered by far the largest, most

highly experienced and most expertly supervised inspection organization of its kind. For this service the policyholder pays nothing beyond the Company's normal insurance premium. Ask your agent or broker about the advantages of a Hartford Steam Boiler policy.

HARTFORD LEADS "BY MANY LENGTHS"

Based on five years of official State insurance department records, the graph at left indicates, by comparison with the five next largest underwriters, the preponderance of America's insured power equipment covered by this Company. (Hartford is also chosen to shop-inspect more than *ninety per cent* of the Nation's industrial-power boilers during their construction.)



**THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY**

HARTFORD,
CONNECTICUT



BUSINESS WEEK

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THE PICTURES

Cover: Montage by Cushing from photographs of Roosevelt (International), Willkie (Acme), and microphones (Wide World)

Page	Description	Credit
14	Joseph Kennedy	Acme
15	Draft Lottery	Wide World
17	Flying Fortresses	Wide World
18	A. C. C. Hill, Jr.	Harris & Ewing
20-23	Wilmington Views	Martin Willis
24	Selma Views	Delk Simpson
40	John L. Lewis	International
58	Athens Harbor	European
63	Walter Dorwin Teague	Stowe Myers

Other photographs, such as those on pages 32, 40, 46, 48, 50, 52, 53, and 63 were supplied by companies whose personnel, products, or operations are pictured.

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PUBLICATION

Business Week • November 2, 1940

WASHINGTON BULLETIN

FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

Break for Small Business

With production and more production the cry of the day, the small business man is being drawn rapidly into a key position in the national defense program. Washington is drawing a new line of policy. The Defense Commission is laying new plans, all looking toward intensified effort and revolving around the little fellow in vital industries.

Mainspring of the program is subcontracting, the only way that most small business men can get or handle any part of defense production. In this, the Defense Commission is taking a leaf from the war record of Great Britain (page 58). Having no time to build new plants, new tools, new everything, England went to its little workaday shops under a system of subcontracts.

No Longer "As Usual"

Underlying Washington's new emphasis on this aspect of armament is a fundamental shift in national economy. It means the deliberate conversion to defense purposes of plants and equipment that are now supplying commercial needs. It means that the defense program is moving in on "business as usual."

Procedure is now being set up to inform small enterprises of the work they are qualified to do. Steps are being taken to help them arrange financing, either with local and Federal Reserve banks or with the RFC. The object is to bring potential contractors and subcontractors, bankers, and Army and Navy procurement officers together so that awards for contracts and provisions for financing can be made simultaneously. In a word—speed.

• **Buildup**—District reserve bank officers will be called to Washington soon to be "educated."

Nelson the No. 1 Man?

Before the shooting's over the defense program will make and break men and reputations. Emerging now as "strong man" among the \$1-a-year brigade now on the job in Washington is Donald M. Nelson of Sears, Roebuck. Don't be surprised if he climbs to the top of the heap.

As co-ordinator of the government's huge purchases, Nelson is all-around trouble-shooter. As administrator of priorities (page 18) he will become the

fix-it" man in many a jam that contractors on defense materials get into with their private customers.

And now the Defense Commission has picked Nelson to secure a place for small business in the defense program.

It's O.K. to Advertise

Advertise what you're doing for your country! The Defense Commission heartily endorses publicity about industrial progress on defense orders: "We believe you can do much to give the public a clear conception of the processes, problems, and progress of defense." Only caution is in the case of orders of a secret or confidential nature.

Planes and tanks make dramatic news, but they don't, by any means, represent total defense. Many industries contribute, and that is something the Defense Commission thinks the public should realize.

• **Example**—The can industry not only makes cans for food but canisters for gas masks. It was H. Ferris White, vice-president of the Can Manufacturers' Institute, who asked the Defense Commission whether it would be in line with policy for his industry and others to give publicity to what they are doing.

Autos Get an "In"

The aircraft industry is on the hot seat. Positive electrode is the Defense Commission's growing conviction that airplane people don't know how to produce in mass. Negative pole is the auto industry, whose years-long yen to take over plane production—hitherto restrained by unprofitability of the operation—is assuming significant proportions.

Despite encouraging statements in public, Knudsen is less optimistic when he talks turkey. He's disturbed over lagging output, impressed by rapid expansion in British production since Beaverbrook took over in the spring.

Hence, when the auto people, who talk Knudsen's language, pointed to their machinery and experience, neither of which the plane builders can acquire overnight, it seemed to offer a way out.

• **More and More Planes**—After the President's speech in Boston Wednesday night Washington was buzzing with the conjecture that the 12,000 planes which he said the British had just ordered were the same "12,000 bombers"

which William Knudsen had first mentioned in his talks with auto manufacturers (page 17). However, insiders insist they are a different 12,000.

Plastic War Plane

Watch for details, as soon as Army Air Corps permits, on the first genuinely military "plastic plane"—a Belanca now undergoing tests. All that can now be revealed is that the wings are formed plywood, bonded with a new self-setting synthetic resin supplied in liquid form by Catalin Corp. Fuselage is of welded tubular construction, with covering material unspecified.

Reviving Ghost Towns

The ghost will walk again in several of the country's industrial ghost towns as idle plants and people are put to work on defense orders. Morris Llewellyn Cook, an early New Dealer, is supervising the survey job. Work will be divided up among plants in each locality. Towns being inspected include Farrell, Franklin, and New Castle, Pa., Cambridge and Mansfield, O.

Lame Duck's Paddle

Senator William H. King of Utah was defeated in the Democratic primaries after the President refused to crook a finger to help him. Now King is inserting in each issue of the Congressional Record some statement laudatory to Roosevelt or the New Deal. He put in the President's Philadelphia speech, Jim Farley's statement that he would vote the straight Democratic ticket, and—most shocking—a political speech by Interior Secretary Ickes.

Cynical newsmen dare to suspect the Senator is angling for a federal job after his term expires, perhaps a judgeship.

G.O.P. House Gains Seen

Republican House gains in the election appear certain to clamp an effective legislative brake on the New Deal, even though Roosevelt be re-elected. The popular vote is reflected more directly in election of House members than Presidents. That's why recent Willkie gains are expected to boost Republican House strength.

The House consists of 259 Democrats, 167 Republicans, 1 Farmer-Labor, 2 Progressives, and 1 American Labor member. In addition there are five vacancies: Republicans are in line

The Vote on the Vote

Name of Poll	Date	% of		Electoral Vote	
		Popular R.	Popular W.	R.	W.
Gallup	Oct. 14-22	53	47	410	121
Fortune	October	57.0	43.0	...	...
Dunn	Oct. 8	...	...	197	334
Pathfinder				Maximum	Minimum
(E. Hurja)	Oct. 25	...	...	178	353
American Opinion					
Forecasts	Oct. 22	53.8	46.2	...	...
American Press					
Association	October	49	51	...	...

Five agencies claim to reflect the voting sentiment of the entire nation, and of these five there are three which report the electoral college division, and three which report the percentage breakdown of the popular vote. (The Gallup poll does both.)

Of the three reporting the electoral vote, two predict a Willkie victory, and one gives the nod to the third term. All three of the polls reporting on the popular vote favor Roosevelt. One additional survey is shown in the summary. Conducted by the American Press Association, it covers only the rural, small-town, and suburban voters, entirely omitting large and medium-size cities. This survey gives the nod to Willkie by 51% to 49%.

Of the five major agencies listed in the summary, four conduct their surveys by the straw-vote method. The Dunn survey arrives at its predictions by means of "continuous observation of certain key factors" bearing on public opinion. The Crossley poll, omitted here, has been completed only in a few regions, and no national summary is available at the time of this writing.

As given in the summary, the various poll figures are the latest published at press-time. Gallup's popular vote percentages are those appearing at mid-week, while his electoral vote division is that released at the beginning of the week, last available.

Several newspapers have conducted straw votes in their own local areas. Specially notable are those of the New York News (New York State—Roosevelt 50.3%, Willkie 49.7%); the Chicago Tribune (Illinois, Indiana, Iowa, Wisconsin, and Michigan—all five states in the Willkie column); the Chicago Times (Illinois—Roosevelt 52.9%, Willkie 47.1%); and the Columbus Dispatch (Ohio—Willkie 52.8%, Roosevelt 47.2%).

Most polls reflect a sizable "undecided" vote, the significance of which has been a matter of heated debate. Privately, the pollsters will tell you that the voters aren't "undecided,"

just ashamed to state their preferences. It's a new thing in election forecasting, and the pollsters think, without any statistical proof, that the majority of the "undecided" are pro-Roosevelt.

Willkie supporters, taking due note of the various polls, pin their hopes on another appraisal which focuses everything on Massachusetts, New Jersey, and Connecticut. This is based on the following tabulation of state electoral votes which they count for Willkie:

Pennsylvania	36	Iowa	11
Ohio	26	Nebraska	7
Indiana	14	Kansas	9
Illinois	29	Maine	5
Wisconsin	12	N. Hampshire	4
Michigan	19	Vermont	3
Minnesota	11	Colorado	6
North Dakota	4	Wyoming	3
South Dakota	4	Oregon	5

To this total of 208 electoral votes they add New York's 47 as "pretty sure," which gives Willkie 255, or 11 electoral votes short of a victorious 266.

Their conclusion: Massachusetts, New Jersey, and Connecticut will probably decide it: Massachusetts (17 electoral votes) or New Jersey (16 votes) alone; or Connecticut (8 votes) with one of the other two or with, for instance, Rhode Island (4 votes).

The Republicans also have some hopes of Idaho's 4 votes, Missouri's 15, New Mexico's 3, Delaware's 3, and even California's 22.

However, the final word from the challenger's camp is to watch the early returns from Massachusetts—not just the first figures themselves, which will probably be heavily for Willkie—but the way they compare with Landon's vote of four years ago when early Massachusetts returns indicated the Roosevelt sweep at about 9 o'clock Eastern Standard Time.

Timing: If Roosevelt is re-elected you are likely to know it fairly early on election night. If Willkie is elected you may not know it until the early hours of Wednesday, if then.

to fill three of them and Democrats two. Unless the Democrats hold 216 of the 259 seats they now fill, they stand to lose control of the House. For the Republicans retention of their present strength and the wresting of 43 seats from the Democrats does not appear an impossible feat unless the Willkie trend has been grossly exaggerated.

Tackling Trade Groups

"Multiple secretaries" they call themselves. They are the men—the smart executives—who claim that they can run a group of trade associations better than the associations can run themselves. Occasionally these secretaries are so efficient that they rouse the suspicion of the minions of the law even if they don't actually cut legal corners.

The Federal Trade Commission is about to take a fling at these group operators and their allegedly illegal activities such as price-fixing and control of outlets. You will know who it is soon.

The Commission also is priming its blunderbuss for several individually-operated associations. This doesn't mean that FTC is more alert than usual. What's biting the commission is not so much the behavior of trade associations as the behavior of the nimble Thurman Arnold who goes sprinting after his quarry with such spirit that even to FTC, the FTC looks like it's standing still.

P. S.

The celebrated Opp Cotton mills wage case is making a lawyers' holiday. The Supreme Court will hear challenge later this month of Secretary Perkins' 32¢ minimum-wage order (with no differential for the South) but there's no doubt that the order will stick. . . . Army's call for bids on 20,000,000 yards of cotton khaki was a complete surprise. No wonder prices go haywire. Worried over rising price of wool, Army is thinking about asking for suspension of "buy American" restriction on use of imported wool. . . . Style note: New camouflage uniforms make men look like tree bark, leafy plants or bushes. . . . Truckmen can expect to load more war freight under War Department's order authorizing transportation by all highway freight carriers on standard government bill of lading forms in lieu of competitive bidding. . . . Scotch-importers have been granted permission by the Treasury Department to use the British flag and the slogan "Britain Delivers the Goods" on whisky labels. The National Better Business Bureau recommends that U. S. business men refrain from depicting the U. S. flag in advertising.

FIGURES OF THE WEEK

THE INDEX

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Steel Ingot Operations (% of capacity).....	95.7	94.9	92.6	61.8	91.0
Automobile Production	117,080	114,672	95,990	101,405	78,210
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)...	\$25,361	\$22,712	\$16,078	\$9,072	\$10,486
Electric Power Output (million kilowatt-hours).....	2,711	2,687	2,670	2,398	2,539
Crude Oil (daily average, 1,000 bbls.).....	3,640	3,668	3,800	3,845	3,499
Bituminous Coal (daily average, 1,000 tons).....	1,368	1,378	1,550	1,222	1,781

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	85	85	81	69	85
All Other Carloadings (daily average, 1,000 cars).....	50	50	54	36	57
Check Payments (outside N. Y. City, millions).....	\$4,985	\$4,934	\$4,292	\$4,228	\$4,289
Money in Circulation (Wednesday series, millions).....	\$8,236	\$8,229	\$8,090	\$7,520	\$7,302
Department Store Sales (change from same week of preceding year).....	+6%	+3%	+10%	+7%	+11%

PRICES (Average for the week)

Business Week-Annalist Cyclical Commodity Index.....	80.70	80.80	76.24	71.24	83.38
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	164.4	164.6	160.0	162.9	164.1
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100).....	118.5	117.5	114.3	113.4	127.7
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100).....	119.3	119.1	117.0	123.8	113.6
Iron and Steel Composite (Steel, ton).....	\$38.07	\$38.07	\$37.98	\$36.57	\$37.56
Scrap Steel Composite (Iron Age, ton).....	\$20.67	\$20.67	\$20.54	\$16.38	\$20.96
Copper (electrolytic, Connecticut Valley, lb.).....	12.063c	12.154c	12.000c	11.250c	12.500c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.83	\$0.81	\$0.77	\$1.08	\$0.83
Sugar (raw, delivered New York, lb.).....	2.86c	2.80c	2.75c	2.84c	3.06c
Cotton (middling $\frac{1}{8}$ ", ten designated markets, lb.).....	9.36c	9.34c	9.45c	10.68c	9.09c
Wool Tops (New York, lb.).....	\$1.315	\$1.255	\$1.193	\$0.999	\$1.156
Rubber (ribbed smoked sheets, New York, lb.).....	20.43c	20.45c	19.57c	19.49c	20.39c

FINANCE

90 Stocks, Price Index (Standard Statistics).....	85.9	85.1	85.1	96.2	102.8
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.54%	4.54%	4.61%	4.72%	4.83%
U. S. Bond Yield (average of all issues due or callable after twelve years)....	2.09%	2.09%	2.15%	2.28%	2.51%
U. S. Treasury 3-to-5 year Note Yield.....	0.41%	0.43%	0.45%	0.49%	0.65%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	4-4½	4-4½	4-4½	4-4½	4-4½

BANKING (Millions of dollars)

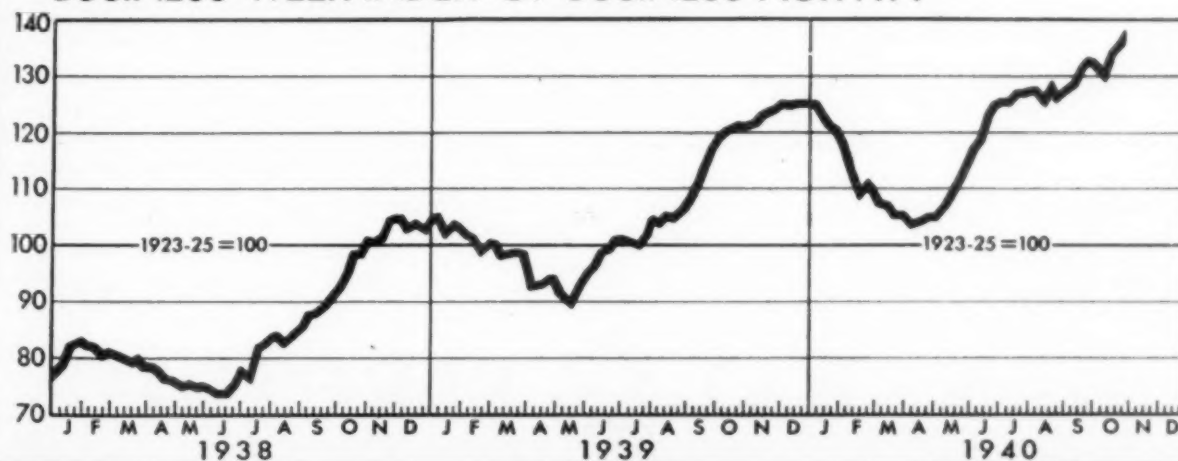
Demand Deposits Adjusted, reporting member banks.....	21,643	21,317	21,080	19,764	18,721
Total Loans and Investments, reporting member banks.....	24,489	24,402	24,166	23,584	22,657
Commercial and Agricultural Loans, reporting member banks.....	4,746	4,722	4,575	4,419	4,292
Securities Loans, reporting member banks.....	874	895	877	1,096	1,103
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,934	11,888	11,779	11,402	10,854
Other Securities Held, reporting member banks.....	3,665	3,637	3,698	3,532	3,324
Excess Reserves, all member banks (Wednesday series).....	6,940	6,870	6,645	6,116	5,534
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,388	2,481	2,472	2,501	2,771

* Preliminary, week ended Oct. 26th.

† Revised.

‡ Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



PROCESS TIME REDUCED FROM SEVEN DAYS TO ONE DAY with a Net Annual Saving of \$25,000

PROBLEM—A midwestern manufacturing company found that its efforts to speed up production and reduce costs were greatly hampered by its process of annealing malleable-iron castings. Seven to eight days were required for annealing. This meant a large number of furnaces was required for a given output. Floor space requirements and inventory tie-up were correspondingly high. The management sought both to reduce this time and to improve the quality of annealing.

SOLUTION—They requested General Electric to study this problem. Our application engineers recommended an electric annealing furnace, which was put in at a total cost of approximately \$35,000.

RESULTS—A complete cycle of loading, heating, and unloading the furnace now takes one day, compared with the previous seven to eight days. This reduces the cost per ton of castings and enables the company to make quicker shipments. The space required is only a fraction of what it was before installing the electric furnace. Inventories have been greatly reduced. Quality is improved. And the elimination of all packing material and heavy annealing containers has greatly improved working conditions. The direct savings to the company will equal the initial expenditure of \$35,000 in about 17 months.

SUGGESTION—It may pay you well to check your methods again to see if you have a problem that can be solved by the use of the proper electric equipment. Application engineers in the General Electric office nearest you will be glad to help you find ways to reduce manufacturing time, to cut costs, and to increase your profits—through the use of the newest electric equipment most suitable for your particular production jobs. They will work with you, your consulting engineer, or the supplier of your machinery. General Electric, Schenectady, N. Y.

For maximum production
in minimum time without
sacrifice of quality, make full
use of the best and latest
standard electric equipment

LET'S MAKE EVERY DOLLAR FOR DEFENSE PRODUCE MAXIMUM RESULTS!

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THE OUTLOOK

After the Election

As before the election, the key to business will lie in the defense program and both candidates are committed to that. Battle for Suez may outweigh fight for votes.

Business went up as usual this week. Steel-ingot production climbed to an all-time peak, carloadings rebounded sharply once bituminous coal shipments recovered from the price-fixing slump after Oct. 1 (BW—Oct 26 '40, p13), heavy construction contracts awarded again rose contra-seasonally. The Business Week Index advanced two points to 138.0 and another new high. But two events overshadowed these encouraging statistics: the Presidential election, which may prove to be a turning point in domestic sentiment, and the Italian invasion of Greece, which may prove to be a turning point in the war.

If the final-week campaign fireworks failed to clarify any of the political issues at home, they served to draw tighter the lines of the opposing factions. Mr. Roosevelt's last-minute efforts were directed toward winning New York and Massachusetts, whose electoral votes the Democrats regard as the margin of victory. Mr. Willkie kept hammering at the third term.

• **An Understanding President**—Unquestionably, from the business men's viewpoint, a victory for Willkie would be hailed as a change for the better; such a popular verdict, it is argued, would put an automatic veto on a stream of legislation which has cut into business profits and changed business men's ways of doing things. For, would the country not be getting an Administration which understands the problems of an assembly line?

Certainly, if Willkie wins, Wall Street will have a celebration next Wednesday morning. Yet it is questionable whether a rally in common stocks would be much more than a sentimental salvo. For the underlying conditions that determine the direction of business have already been established. Right now defense expenditures dominate both public and private investment in plant and equipment; they are the prop to both steel operations and construction contracts awarded.

• **In a Nutshell**—Moreover, the defense program definitely assures a high level of industrial activity well into 1941 and probably into 1942. And though Mr. Willkie contends that Mr. Roosevelt's foreign policy is leading this country into war and Mr. Roosevelt counters

that his foreign policy is keeping the United States out of war, both candidates are committed to continuance of vast expenditures on armaments. And that, in a nutshell, is the key to the business outlook after Jan. 1. For if defense is the force that's propping business up, and if both candidates are committed to defense, no dramatic change in the level of industrial activity is to be expected to stem directly from the election.

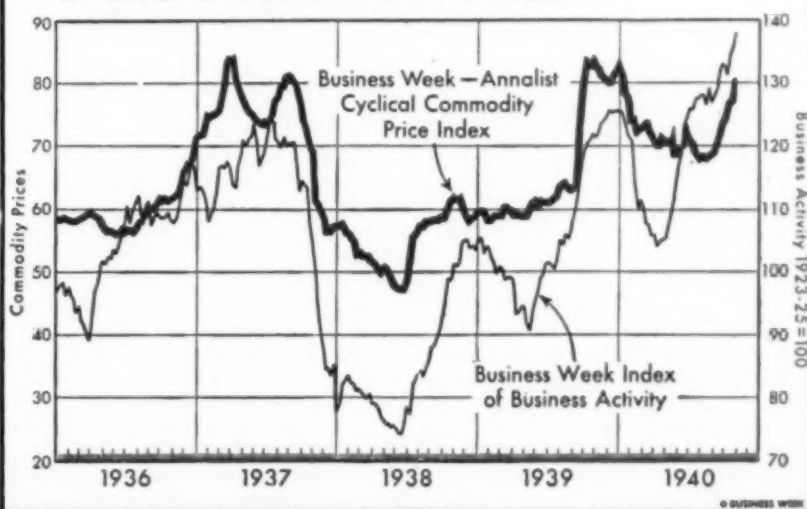
The trend in the federal "net contribution to national buying power" indicates how defense is playing a more and more important role in business. The "net contribution," which roughly approximates the difference between cash outlays and cash receipts of the treasury, rose from \$307,000,000 in August

to \$325,000,000 in September, the highest level since January. And the trend is still up.

• **Deficit Spending**—What has happened is that expenditures have moved up to a higher level, as compared with a year ago, and so have receipts; but receipts have not increased as rapidly as outlays. In time, of course, tax collections may advance faster than federal expenditures and then the "net contribution" may drop. But as yet that does not appear immediately probable. Deficit spending is still a basic business stimulant. And, if the defense program is to be prosecuted, such spending will persist regardless of who is in the White House—either that, or tax rates will have to go up far beyond the schedules of the Second Revenue Act of 1940.

In one respect the Italian thrust into Greece may have a more important effect on business in this country than the outcome of the election. As yet, the Battle of the Mediterranean is still very much in a state of flux; the sides are not clearly outlined, nor the political issues, nor the battlefronts. But ultimately it

IN THE OUTLOOK:
CYCLICAL COMMODITY PRICES



Back in 1937, the sharp downturn in the sensitive Business Week-Annalist Cyclical Commodity Price Index was a harbinger of the business collapse in the autumn of that year. But during the 1940 upturn in industrial activity, the commodity-price index lagged. Apparently purchasing agents were not satisfied with the business prospect as easily or as quickly as the pro-

duction men who had orders to fill. Now there has been a notable turnaround. For over two months prices have been rising sharply; this may confirm the theory that the advance in business is the real thing. The price index consists of commodities which in the past have moved with the business cycle, steel, scrap, hides, lead, zinc, wool, silk—hence its name.

The Regional Outlook, which is usually found on this page, now becomes a regular feature of the Marketing Department and is on page 36 of this issue.

may determine whether the Axis can drive on to Suez and can bottle up the British fleet in the Mediterranean. A victorious campaign would assure the Axis of oil from the Near East, and that would again raise the question of a negotiated peace. For with plenty of oil, the British blockade would be virtually nullified. Then would it be worth while for England to continue the fight?

• **"Peace Scares" Again**—If peace were to result, the effect on industrial operations over here would be immediate. Currently, a significant portion of American industrial output is going to England—in some lines, like airplanes,

perhaps as much as 50%, perhaps even higher. During the first nine months of this year, 16% of United States Steel Corp.'s shipments were exports. The loss of such business would have an effect on profit-and-loss accounts, and no question about it.

It's true, of course, that the domestic defense program would rush into the breach; British orders would be taken over by this government; but there would be dislocations, and ultimately total munitions buying would inevitably be reduced by the amount of the purchases the British had contracted for. So look for some "peace scares" as the Mediterranean campaign of the Axis develops.

• **Employment Note**—Meanwhile, it is worth noting that employment in September rose 927,000, according to the National Industrial Conference Board, to 48,404,000 persons. This is higher than the 1929 average of 47,925,000, and augurs well for retail sales.

Real Mediterranean War Is On

While Italians move against Greeks, Axis powers map "bridge to Africa" to tap raw materials and counterbalance the British blockade. Mosul and Iran oilfields also at stake.

For more than a year an "Allied" army of a quarter of a million men has been encamped along the eastern shores of the Mediterranean. For months there have been sporadic clashes between the British and Italians in Egypt, in Libya, and along the northern shores of Mussolini's Mare Nostrum when the Italian navy ventured beyond home waters. But not until this week and high in the rugged mountains which form the boundary between tiny Albania and Greece was the real battle for the Mediterranean launched.

• **Conference in Florence**—As though admitting that the center of operations in this war is shifting into the Mediterranean Sea, Chancellor Hitler scheduled his latest conference with Premier Mussolini far south of the Alps, in sunny Florence.

There, while Italian troops waged their first battles with the Greeks, the Axis powers laid their plans for the winter campaign which boldly pushes the war into the Balkans and aims at three main objectives: (1) To dislodge the British from Egypt and force the British navy out of the eastern Mediterranean, (2) to open the way to the huge Mosul and Iran oil fields, and (3) to force the British out of Gibraltar and open the way for Germans and Italians to push into Africa, cut off Britain's supply routes from the east, and go after the supplies and trade of South America.

Mussolini is reported to have promised Hitler than he can "deliver" Greece in three weeks.

• **Vichy in the Spotlight**—Though much less spectacular than the spread of the war to the Balkan tinderbox, developments in Vichy have attracted equal attention among diplomatic bigwigs in every world capital.

When Vice-Premier Pierre Laval appeared in Paris some time ago for conferences with Chancellor Hitler, it stirred speculation, for Mr. Laval is known to favor an appeasement program with France's former enemies. When Mr. Laval was made Foreign Minister this week, in addition to his other duties, outsiders knew that it meant Vichy had yielded to the Berlin demands for full cooperation in creating a new order in Europe.

Even the old guard who insisted that "full cooperation" must not include active participation in the war against England may have been overruled, for it is known now that General Weygand has been sent to Dakar, where the Axis inevitably will want an air and naval base if it is to continue the war against Britain. Secretary Hull has already warned Vichy that the United States will not tolerate use of any Western Hemisphere French bases by the German-dominated government.

• **Expected by Business**—Business the world over took the week's war news calmly. The Italian move into Greece

has been expected for some time. Several weeks ago Washington suddenly cancelled all passports for travel to Greece. Shippers who have been using Greek boats extensively for deliveries in the Mediterranean began to cancel their contracts some time ago. The Greek fleet—mainly tramp freighters—is the ninth largest in the world and is now added to the vast "allied" tonnage at the command of London.

Olive-oil prices soared this week when almost the last important Mediterranean supplier was engulfed in the war. Greek credits in this country were frozen by Washington authorities. And as the conflict promised to intensify in the eastern Mediterranean, exporters and importers were about ready to admit that the last markets in Europe and the Near East might soon be lost completely.

• **Germany Pinched**—A cable to Business Week from its Berlin correspondent indicates that Germany is going to be seriously pinched for certain supplies in its second war winter. The second Four-Year Plan, which was launched last week, places all emphasis on "war requirements."

A second Nazi admission that the war is likely to be a long one despite this week's widespread rumors of peace offers from both Berlin and the Vatican is the boast in German newspapers this week that the main business aspect of the new German-Spanish alliance is that Spain is destined to form a "bridge to Africa"—for the "new Europe." In the immediate future, the Axis aims to exploit rich supplies of raw materials to counterbalance the British blockade. Ultimately, Berlin seeks control of this short route "to rich South America."



Back in the United States this week, Joseph P. Kennedy, business man ambassador to London, in a Tuesday night broadcast assured the U. S. it could give the most effective aid to Britain if it kept out of the war.

Movies Arbitrate

Consent decree to end anti-trust suit specifies that disputes will be handled by American Arbitration Association.

After almost interminable negotiation, the government's 27-month-old antitrust suit against eight major motion-picture producers boiled down to a solution this week. On Tuesday, the government announced to Judge Goddard of the federal court in New York that five of the eight companies have agreed to a consent decree. Hearings for objectors will be held Nov. 14, but odds are great that the decree will go through. The government will bring an amended complaint against the three non-agreeing companies.

Far-reaching in its effect on the movie industry, the decree has a broader significance, for it provides that disputes arising from trade practice under the decree shall be settled through the American Arbitration Association. Never before has the government thus recognized a private arbitration agency. A new pattern is set for government, business, and the courts to get together to bring peace to an industry.

Aside from the arbitration feature, the decree follows the predicted outline (BW—Aug 31 '40, p. 39). Major provisions deal with block booking and blind selling. Group selling will be limited to five pictures in any one group. Films may be licensed only after publicized showing for exhibitors.

Originally, the principal charge of the government was that five producers—Paramount, Loew's, R-K-O, Warner Bros., and Twentieth Century-Fox—had been using their own theater chains to drive independents out of business. These are the five companies now signing the decree. They agree not to extend materially their theater holdings for a three-year trial period, and the government agrees to hold off action for divorcement of the theaters.

• **Some Protest**—The other three—Universal, Columbia, and United Artists—own no theaters, and have seen no inducement for participating in the decree. Columbia has announced it will protest, as will independent exhibitors who have wanted complete elimination of block booking. But not too loudly.

The five agreeing producers will assess themselves something like \$500,000 for the American Arbitration Association to use in setting up arbitrating offices in 32 cities. Around 15,000 disputes a year are expected, over such matters as whether the block booking and blind selling provisions have been violated, discrimination, refusal to fulfill contracts.



DRAFT LOTTERY

In Washington this week, Secretary of War Henry L. Stimson, blindfolded, reached into a goldfish bowl and drew out a blue pellet—thus starting the first U. S. peacetime conscription lottery, to determine the order in which registered men will be called up for a year's military service. Though

the bowl used in this drawing was the same one that saw service in the 1917 draft lottery, the 8,500 blue capsules—half the number used at the time of the World War draft—proved to be so much bulkier this time that they wouldn't fit in the historic bowl. The situation was finally remedied by enlarging the glass bowl with a transparent plastic collar.

Company Earnings Swing Up

Third-quarter statements are distorted by allowances for taxes, but 150 corporations (rails and utilities excluded) show nine-month gain of about 40% over 1939 period.

Profitless prosperity and profiteering on preparedness are a couple of fine catch phrases which are just about canceling each other out. American industry is not doing business for its health, and neither is it cleaning up. A glance at earnings for the third quarter and for the nine months ended Sept. 30 will prove these contentions.

For the nine-month period, earnings of 154 companies totaled \$518,841,935 compared with \$370,532,250 in the corresponding months of 1939. That's a gain of 40%. Such an increase might be considered profiteering if it were not recalled that 1939, prior to the outbreak of war, was no great shakes in industrial activity and corporation earnings.

• **Quarter's Gain Is 17%**—During the quarter ended Sept. 30, earnings of these companies totaled \$128,109,008 compared with \$109,022,133 in the similar three months of 1939. The gain in this case is a little more than 17%.

Ability of these corporations to boost earnings for the nine months by 40%

while they were able to show an increase of only 17% for the third quarter is significant. In large measure it reflects the impact of higher taxes—the federal government's effort to get more revenues and capture excessive profits.

• **Cumulative Effect**—Most corporations in the first half of this year had made allowance for income taxes on the basis of the first revenue act of 1940. That law imposed a levy of 20.9%. The second revenue act of 1940 jumped the normal income tax rate to 24% and topped the whole thing off with the excess-profits tax. These not only had to be considered in computing third-quarter results, but they had also to be applied retroactively to the income of the preceding six months.

Corporate practice is by no means uniform in this respect. Some companies have computed income and excess-profits taxes at the new rates for the nine months and socked the whole burden onto earnings for the third quarter. Others have figured the amount of taxes

The Earnings Record

	Nine Months Ended		Quarters Ended		
	Sept. 30, 1940	Sept. 30, 1939	Sept. 30, 1940	June 30, 1940	Sept. 30, 1939
Abbott Laboratories.....	\$1,987,042	\$1,756,578	\$856,924	\$384,628	\$744,571
Acme Steel.....	1,648,091	1,042,825	602,688	661,149	443,184
Air Reduction.....	4,801,469	3,524,411	1,695,373	1,662,106	1,291,816
Allegheny-Ludlum.....	2,781,285	682,094	1,300,582	1,008,121	327,772
Allis Chalmers.....	3,769,397	2,643,873	1,159,639	1,639,889	943,450
American Brake Shoe....	1,856,489	1,326,888	629,853	644,074	406,954
American Chicel.....	2,750,059	2,961,332	850,514	988,613	1,077,950
American Radiator.....	3,720,806	1,428,185	2,184,901	1,095,151	1,374,758
American Steel Foundries	2,080,446	189,533	413,921	405,565	75,191
Anaconda Wire & Cable....	917,845	204,555	420,586	367,979	150,423
Atlantic Refining.....	6,562,000	3,130,000	1,297,234	2,142,253	1,780,091
Atlas Powder.....	1,127,261	831,842	382,743	379,822	381,929
Babcock & Wilcox.....	1,832,266	d-500,203	1,832,266	645,340	136,417
Bausch & Lomb.....	1,369,575	1,133,899	602,290	346,617	579,156
Bohn Aluminum & Brass....	1,010,743	320,395	311,116	349,897	20,782
Budd Manufacturing.....	1,064,353	d-126,920	99,001	664,819	d-401,854
Caterpillar Tractor.....	5,486,636	3,901,155	1,977,122	2,039,468	1,585,775
Chrysler Corp.....	30,706,094	31,403,118	211,820	14,751,888	6,057,347
Clark Equipment.....	1,133,008	703,635	195,000	373,058	203,444
Container Corp.....	1,929,652	285,308	800,917	619,021	253,060
Copperweld Steel.....	798,736	610,549	277,422	293,627	219,129
Cutler-Hammer.....	925,227	410,480	182,864	336,068	167,067
E. I. du Pont de Nemours	67,928,497	62,798,244	21,074,802	22,926,709	23,126,507
Eaton Manufacturing.....	2,722,850	1,637,030	814,502	970,470	351,339
Freeport Sulphur.....	2,314,436	1,038,211	816,625	636,578	383,216
General Cable.....	1,963,568	44,135	467,987	768,156	214,415
General Electric.....	37,094,776	25,022,631	11,113,204	14,030,122	8,652,439
General Foods.....	9,906,987	11,964,416	2,892,361	2,873,331	4,389,832
General Motors.....	129,172,490	109,619,799	15,597,030	46,546,999	8,627,268
Gillette Safety Razor....	1,938,775	2,418,360	605,324	637,004	801,453
Granby Consolidated.....	504,250	411,002	122,616	176,786	180,159
Hanna, M. A.....	2,016,915	1,068,717	912,607	714,069	581,506
Harbison-Walker.....	1,540,000	916,900	601,000	559,600	518,200
Hercules Powder.....	3,744,236	3,646,561	451,170	1,550,493	1,377,091
Houdaille-Hershey.....	1,572,884	773,045	100,173	711,055	9,035
Howe Sound.....	1,403,903	1,757,219	436,222	409,403	595,842
Inspiration Cons. Copper.	1,363,400	261,772	555,392	515,808	124,837
Int'l Business Machines..	6,011,779	6,590,695	1,476,297	2,097,978	2,158,339
Johns Manville.....	1,888,044	1,644,749	1,645,567	1,103,295	1,472,255
Jones & Laughlin.....	6,232,903	281,189	2,956,647	2,141,645	1,129,001
Kimberly Clark.....	1,886,275	1,724,490	512,624	628,606	460,909
Le Tourneau, R. G.....	1,458,992	1,534,233	306,949	762,245	635,262
Libbey-Owens-Ford.....	7,314,781	3,902,516	2,138,033	2,278,796	1,247,702
Link Belt.....	1,780,740	957,436	815,461	541,323	442,479
Lone Star Cement.....	2,288,083	2,476,920	916,473	818,055	967,201
Magma Copper.....	754,808	972,288	37,221	376,281	333,463
Martin, Glenn L.....	4,798,981	1,513,778	523,493	2,128,820	546,154
Mathieson Alkali.....	1,250,240	624,767	422,700	463,398	288,722
Maytag Co.....	1,050,799	798,669	352,334	342,080	234,981
Minneapolis Honeywell..	1,568,361	1,134,622	964,440	316,112	779,555
Monarch Machine Tool....	800,977	377,830	138,783	359,635	204,047
Motor Wheel.....	1,440,531	1,091,770	453,032	568,858	391,504
National Acme.....	2,090,385	188,121	853,335	721,504	78,385
National Cash Register..	1,492,385	1,304,641	392,554	618,960	116,272
National Distillers.....	3,191,641	3,153,180	760,422	1,352,473	1,042,283
National Gypsum.....	1,055,084	1,216,044	526,449	517,091	519,339
National Malleable.....	931,214	450,180	312,457	148,132	131,682
Otis Elevator.....	2,552,957	2,419,678	769,328	662,629	841,521
Pennick & Ford.....	606,394	911,347	138,297	190,146	342,384
Plymouth Oil.....	1,231,188	1,673,366	232,368	412,378	500,662
Remington Rand.....	1,065,209	352,163	499,969	565,240	201,831
Republic Steel.....	12,633,333	3,898,651	6,183,880	3,337,730	2,815,339
Savage Arms.....	577,864	229,378	351,658	202,789	155,185
Seaboard Oil.....	891,859	1,169,588	129,367	259,543	384,157
Sharon Steel.....	754,878	d-200,027	365,975	79,327	d-59,483
Shell Union Oil.....	12,615,196	6,710,658	3,165,249	4,135,788	4,548,236
Simonds Saw.....	1,102,586	603,572	344,215	365,051	232,226
Skelly Oil.....	2,251,905	1,366,245	706,943	771,680	609,327
Stewart-Warner.....	994,684	256,209	317,439	349,043	55,948
Texas Corp.....	33,692,712	17,500,000	.....	.....	.....
Texas Gulf Sulphur.....	7,258,736	5,014,295	2,757,763	2,455,965	1,749,469
Tide Water Associated Oil	7,057,625	4,380,318	1,152,760	2,124,645	2,048,908
Tubize Chatillon.....	1,236,113	625,229	533,738	369,085	322,163
Underwood-Elliott-Fisher	1,377,223	1,159,459	303,839	484,656	298,540
Union Carbide & Carbon..	30,976,728	19,151,730	11,004,553	9,503,469	8,400,326
United States Steel.....	69,418,070	12,390,756	33,103,067	19,201,008	10,420,445
Victor Chemical.....	848,408	735,784	362,563	258,855	298,801
Westinghouse Electric....	14,583,327	9,069,810	4,746,315	5,795,584	2,731,023
Wm. Wrigley, Jr.....	6,768,314	6,763,632	1,967,660	2,342,848	2,204,623
Worthington Pump.....	1,543,473	265,306	464,551	526,117	360,470

which each quarter should have borne and reduced previously reported first and second quarters correspondingly. Still others have postponed computation of the excess-profits tax until the end of the year. And an occasional company has reported earnings after all deductions but before federal taxes.

• **Comparisons Distorted**—There isn't much to be said for one method as opposed to another. About the only reason for devoting so much attention to this question of policy is to point out that third-quarter earnings are distorted because they bear, in the aggregate, a somewhat disproportionate tax burden. And fourth-quarter earnings to an even greater degree will be distorted by the same factor because a majority of corporations will drop the excess-profits tax into the statement to stockholders like the familiar year-end adjustments arising from such items as inventory fluctuations.

It should be borne in mind, too, that the final quarter of 1940 will be held up for comparison with the closing three months of 1939, and that the tag end of 1939 was a booming period. Thus the first nine months of this year have been compared with a relatively drab period, and the remaining three will be contrasted with a distinctly bright spot.

• **Interest Centers on '41**—In 1941, likewise, comparisons will be with 1940's very busy months. From this it will be seen that the handsome comparison of fat earnings with lean is a thing of the past. For this very reason, comparisons henceforth will be of more than ordinary interest. They will reflect, for one thing, American industry's ability to translate production gains into earnings. For another, they will indicate the extent to which the excess-profits tax is effective either as a revenue raiser or as a preventive for profiteering.

The corporations whose earnings have been utilized by Business Week in preparing its cross section for the third quarter and the nine months run from the largest to many which are fairly small. As might be presumed from the fact that the total exceeds 150, they represent a diversity of interests. However, the utilities and the railroads have been eliminated for the purposes of the present discussion, and the weighting, if anything, is on manufacturing.

The companies studied include several whose products are more or less rigidly priced but whose costs fluctuate. These have been squeezed. Others, like the petroleum producers and refiners, have been suffering from adverse marketing conditions. Still others, like Chrysler and General Motors, report poor third quarters because the shut-down for change-over to new models hit that period along with the increase in taxation. Yet, in the aggregate, and particularly in heavy lines like steel, the year to date makes a pretty impressive showing.



Twenty of Boeing's big Flying Fortresses were poised for flight from March Field, Calif., last week and, though their eventual destination was still in the dark this week, the report was that a number of these four-engined Army bombers would soon be

transferred to Britain. Some Army officials approve the transfer because they say models which are now in production obsolete these, but others oppose the plan on the ground that it's likely to handicap our training of heavy bomber pilots and crews.

Bombers Spread over Industry

New program for 12,000 big ships revealed as Knudsen confers with automotive executives on manufacture of parts totaling \$500,000,000. Mass production methods planned.

Out of the eagerly-awaited Detroit meeting in which Defense Commissioner William S. Knudsen outlined to automotive executives their part in the nation's airplane program has come startling news of an entirely new airplane program which will call for the participation of many a peacetime industry.

This will add to all aircraft production planned to date a gigantic order for 12,000 multi-engined bombers (8,000, two-engined, 12-tonners and 4,000 four-engined, 20-tonners). By mid-week it appeared that this total might be boosted to 20,000.

For this fleet, designed to insure American air supremacy, Mr. Knudsen came to Detroit with instructions from the President to confer with automobile manufacturers on turning out \$500,000,000 in aircraft parts in a production schedule set to get under way early next year. But, while the auto makers were the first to be called upon, this super-imposed drive for greater bombing power will call for further defense expansion in many other industries. Its effect will be felt notably by the hard-pressed machine-tool builders, in aluminum production, among the makers of electric power units, and in the ranks of all manufacturers who can contribute to the big bombers' armament.

And it will obviously complicate the problems of participating industries in filling regular civilian orders.

• **Auto Executives Act**—The automobile industry began moving immediately without waiting for the formal launching of the program, which President Roosevelt has already approved. First action of the executives at Detroit was to appoint a standing committee to correlate plans with those of the aviation plants and to oversee the automobile industry organization that must be set up. Members are Alvan Macauley of Packard, Edsel Ford, K. T. Keller of Chrysler, C. E. Wilson of General Motors, and C. C. Carlton of Motor Wheel, the latter representing the parts makers.

Under these men technical committees will visit airplane plants, survey available automobile equipment, make detailed studies of airplane parts to determine what changes can be made to facilitate mass production, survey facilities for sub-assembly of large structures such as wings, ailerons, tail surfaces, rudders, investigate forging facilities for aluminum and steel, lay out machining operations. (There's talk of building government-owned, perhaps privately-operated, plants for assembling the big bombers.) Right now the chief thing the industry has to offer is production

know-how, and some idle machinery for which tools must be designed and made. From there on it's a new assignment and a very different one from auto work.

• **Industry Must Work Fast**—Nobody can foretell how many people will get work on this bomber parts program. Murray Body, which has already taken on a contract of between \$20,000,000 and \$30,000,000 from Douglas for 5,400 wing assemblies, expects to use 10,000 employees on that job. (Douglas is said to have sewed up Murray, Briggs, and Budd with \$75,000,000 in contracts.) Over 100 parts are needed to fabricate a wing, which, as it stands now, is mostly a riveted proposition—in other words, costly in labor. There are some 400 different parts, or sub-assemblies, under consideration, according to reports. Some will require much labor, unless the automotive industry can use its much-vaunted skill to cut corners. Body plants hope to commence production on the bomber program around March or shortly thereafter. Hence the rest of the industry must work fast to keep supplies to the plane plants in balance.

At Detroit Mr. Knudsen called for machine-made, instead of bench-made, parts in order to lift plane production considerably above the 1,000-a-month level where it is now hanging. The machine process is bound to have considerable effect upon the ease with which standardized parts can be assembled and will conceivably change present fabrication methods, perhaps even effect changes in materials used.

• **Aluminum vs. Stainless Steel**—In this connection, Detroit raises the old argument of aluminum versus stainless steel. A large part of the present bomber is made of aluminum and the aluminum components are largely riveted. Spot welding is being urged for the sake of speed and here the steel men come to the fore with claims that their product is easier to spot weld and that they can now control the thickness of thin-gage stainless strip suitable for aircraft. Stainless has already captured some of the internal fittings of bombers. Automotive men are familiar with steel, know how to stitch it together rapidly in spot-welding jigs. But the question of how far resistance welding processes and stainless steel can be brought into the picture will be up to automotive industry's technical committees on aircraft parts production.

Meanwhile Washington expected quick political action on the new bomber program, stressed its importance in connection with the international situation, its effect on potential enemies east and west. Special significance was attached to the need of long-distance bombers in line with our program for establishing far-flung bases to keep invaders out of this hemisphere.

Priority Policies

Board set up by President defines aims. Main job will be easing the impact of defense on normal commercial operations.

A slate of policies has been laid down by the Priorities Board of the National Defense Commission, set up Oct. 21 to clear the track for the defense program. The object, of course, is to assure prompt delivery of goods to the Army and Navy. This does not mean that a system of mandatory priorities on all defense contracts will be instituted immediately. As reported (BW-Oct 26 '40, p15), the system of voluntary preference ratings on defense contracts now in effect will be continued so far as practicable.

As the procurement program broadens, the machinery set up will be brought into play to prevent industrial confusion. The board's primary function will be to intervene in settling conflicts arising from the impact of the defense program on normal commercial operations, especially in areas where a large proportion of productive capacity is engaged in defense work.

• **Ironing Out Wrinkles**—It will also be the board's duty, under the authority delegated by President Roosevelt, to adjust differences that can't be settled



A. C. C. Hill, Jr. (above), of the Guaranty Trust Co., will assist Donald M. Nelson in the selective application of the new priorities system by which Army and Navy orders can be put ahead of private and foreign deliveries. For several months this team has been working effectively on coordination of government purchases to ease the shocks of big orders on the markets. They also worked in tandem in NRA.

by contractors themselves in dealing through procurement officers of the War and Navy Departments and the Priorities Committee of the Army and Navy Munitions Board. This joint committee will continue to control the placing of preference ratings on Army and Navy contracts and resolve conflicts that may arise between the two services.

In addition to approving this system of voluntary ratings for continued application where it continues to be effective, the Priorities Board has adopted the following policies:

(1) Delivery dates requested by the Army and Navy on preference-rated contracts should be geared, through proper scheduling, to deliveries of related defense items. Thus, all components of tanks, such as radios and machine-guns, will bear the same priority rating as the completed tank, the delivery dates being so arranged that all components will flow to the assembly point at the proper time.

(2) Preference ratings covering all the supply requirements of a specific industry or company within an industry should not be extended at the present time. The board felt that extension of such blanket ratings is not required and decided to continue for the present the practice of applying preference ratings to individual contracts.

(3) The preference rating AA, which has not been used so far and which would require immediate precedence over all other contracts, private or government, should be reserved for cases of exceptional emergency and before its use reference should be made to the Priorities Board for policy decision.

(4) With the advice of the machine-tool section of the Defense Commission, the Priorities Committee of the Army and Navy Munitions Board should continue to extend preference ratings to orders for machine tools placed by other machine-tool builders. It was explained that machine-tool builders frequently must purchase their own machine tools from other producers. Unless such extension of preference ratings were permitted, it would be impossible for primary machine-tool builders to increase their production in order to meet the demands of the defense program.

• **In Charge of Policies**—Composing the Priorities Board are William S. Knudsen as chairman, Edward R. Stettinius, Jr., and Leon Henderson, three of the seven members of the Defense Commission. The executive charged with carrying out the board's policies is Donald M. Nelson, present Coordinator of Purchases. Nelson's acting Deputy Administrator is A. C. C. Hill, Jr.

Rules and regulations governing action by the Priorities Board and its administrator are in course of preparation, but will not be issued before they are approved by President Roosevelt.

AIRCRAFT PRIORITIES

First industry to feel the impact of regulation by the new Priorities Board will be the commercial aircraft industry. Object of the priority committee just established for the aircraft business is to gear production and maintenance of commercial transport equipment with defense requirements, since a healthy transport system is regarded as an important adjunct to defense.

The air transport committee will forward recommended policies to the Priorities Board through Donald Nelson, administrator of priorities, and will have its own administrative officer, Captain Sidney M. Kraus, who, under the direction of Administrator Nelson, will carry out the policies formulated by the air transport committee which are approved by the board.

Captain Kraus will also represent the Production Division of the Defense Commission. The other members of the committee include:

Colonel John H. Jouett, president of the Aeronautical Chamber of Commerce, representing the aircraft industry; C. R. Smith, president of American Airlines, representing the Transportation Division of the Defense Commission, of which he is a consultant; Major A. J. Lyon, representing the Army; and Captain D. D. Ramsey, representing the Navy.

Fair's Farewell

Big New York show ends on high note after falling far shy of expectations. Bondholders to get back 38.4c on dollar.

New York's World's Fair would have done all right if attendance figures during its life had been as strong as those for the final obsequies. There were 537,952 visitors for the closing Sunday.

The show trailed a parade of fairs, big and little, all striving to duplicate the success of the Chicago exposition in 1933-34. At its inception the \$156,000,000 New York extravaganza was kidded as "the fair to end all fairs." Its balance sheet does not encourage other cities to rush headlong into the building of perispheres and trylons.

• **Holding the Bag**—Including interest, the bondholders get back 38.4¢ on the dollar. This isn't good but it isn't as bad as it appears. Eighty per cent of the

TODAY'S BURROUGHS machines lower today's costs



TYPICAL OF RECENT BURROUGHS DEVELOPMENTS

is the wide variety of new, low-priced window-plan machines for savings banks, small-loan companies, department stores, government and municipal offices, public utility companies — wherever payments are made by customers and receipts are issued.

FOR HOTELS AND RESTAURANTS

A small, portable, low-priced food-beverage checking machine for pricing guests' checks and accumulating a locked-in total for balancing with cash.

FOR INSTALLMENT BUSINESSES

A compact, easily-operated window-plan machine for posting customer's receipt book and ledger; extremely low in price.

FOR CITIES AND COUNTIES

A new plan of apportioning, distributing and controlling tax collections; provides daily report of fund condition.

FOR INSURANCE AGENCIES

New machines that combine the writing of customers' or brokers' ledgers and statements, policy register and account current—with or without accumulated totals of amounts posted.

FOR LAUNDRIES

A high-speed billing machine that posts plant and office records, and provides driver and cash control without the use of route sheets.

FOR PETROLEUM COMPANIES

A machine for credit card accounting that prepares the statement copies, a detailed journal, a tape list for the customer—all at one time.

• • •

These are only a few of many recent Burroughs developments. For specific information about new Burroughs developments that would apply to *your* business, call the local Burroughs representative or write direct to—

BURROUGHS ADDING MACHINE COMPANY
6129 SECOND AVENUE, DETROIT, MICHIGAN

Today's Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

bonds are held by 100 large corporations who were for the most part exhibitors and concessionaires. They can charge off losses on the bonds against goodwill or sales promotion.

Only on its dying day did the New York fair achieve its early ambitions of passing a half-million in attendance. The final click of the turnstiles brought the two-year total to 44,932,534; the 1940 visitors numbered 19,115,269. This total tops the 38,626,546 who saw the two-year Chicago fair but falls far below original expectations.

• **Prices Too High**—Now that the fair belongs to history and the wrecking crews, its virtues and shortcomings can be justly weighed. It was literally the biggest ever. But there were two strikes on it before the opening day. From the heights of its grandeur (including Grover Whalen, its president) the New York fair snooted the experience of lesser cities and their expositions. It began with 75¢ admission instead of the traditional 50¢. New York hotels "revised their rates upward" explaining that settlements with workers' unions made the increases necessary. Such errors were widely advertised by interests in other parts of the country which wanted to divert tourists from the fair. Harvey Dow Gibson, president of New York's Manufacturers Trust Co., took over for the second year. He corrected many mistakes but was unable to overcome the established handicaps.

• **Better Showmen**—An outstanding result of the long series of fairs has been the development of showmanship among the larger commercial exhibitors. They have learned lessons about dramatizing products which will become part of their sales techniques.

Defense Comes to Main Street

Wilmington, Ill. (pop. 2,200), provides a case study of what happens when government-sponsored industry moves in on farm community, bringing new housing, labor, and tax problems.

F. M. Pepper spent years hunting for a remote and peaceful farm where he could live out his bachelorhood after retiring from the Illinois Bell Telephone Co. Finally he found it near Wilmington, Ill. Soon after he moved in, a neighbor phoned: "The government is taking my farm and your farm and about 40,000 acres more for a munitions plant." Pepper is now looking for another farm.

A Wilmington stock farmer went to Wyoming for feeder cattle. He came back with \$3,000 worth of young steers. Before he could unload them he learned that his pastures also came within the federal requisition.

• **It's a Case Study**—These are samples of what happens to a settled, small-town community when the government suddenly plunks down a defense project in its midst. Wilmington drew two whoppers. One is a \$22,000,000 TNT-DNT plant to be built by Stone & Webster for du Pont operation; the other is a \$14,000,000 shell-loading plant to be built and operated by Sanderson & Porter.

Wilmington is a solid country town of 2,200 people. Local values and habits will be completely upset by the impact of the new plants. A deluge of 2,000 to 7,000 strangers will roll in for the construction jobs. Other thousands of workers along with their families

will follow as production commences. • **Price of Wealth**—Folks around Wilmington like the idea of sudden wealth but not the tumult that goes with it. Announcement of the projects caught them completely off guard. Farmers had reported that "government fellers" were snooping about, but they had been doing that off and on for 20 years. In the final reality, 62½ square miles comprising 450 separately-owned tracts are to be taken over for complete transformation. It ranges from worn-out fields worth \$50 an acre, to \$250-an-acre land so rich that it has been the despair of crop-control authorities. For the 40,000-acre tract the government is expected to pay about \$4,000,000.

Owners of scrubby land were happy to get out from under. But proprietors of fine farms (like those of the black bottom land that rolls down to the Kankakee River) are mad as hornets at having to give them up. Some have spent their own money on trips to Springfield and Washington in attempts to head off the deal. Many of the holdings still belong to families of the raw-boned Yankee farmers who came out to bust the sod of miraculously fertile prairies in the eighteen-thirties.

• **You Can't Buck It**—These farmers stand straight, take a drink if they feel like it, vote the Republican ticket.



Wilmington, Ill. (population, 2,200), is a typical Middle Western small town. Although it lies just beyond

Chicago's industrial district, its main street, Water St., is always lined with farmers' parked cars.



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1. A *Mortality Table* tells us how many of a group of people of any given age will live to be a year older, two years older, ten years older, etc. For example, take 1000 children, each fifteen years old . . .



2. One *Mortality Table* shows us that at forty, life may begin for some, but will have ended for 103 of the 1000 . . .



3. At seventy, 462 of the 1000 remain, and 21 of those will still be alive at ninety.

What has a Mortality Table to do with the cost of Life Insurance?

AS YOU PROBABLY KNOW, a life insurance company is required by law to maintain certain reserve funds. This reserve, together with future premiums and interest earnings, is calculated to enable the company to pay all its policy obligations when they fall due.

In computing the sufficiency of the reserve, state supervisory officials and the company follow mathematical formulas which are based, in turn, upon mortality tables and interest rates.

A *mortality table* is simply a tabulation showing what percentage of a group of people of any given age die within a year's time. It is prepared from a knowledge of *past* death rates—but serves as a measure of *future* death rates. As it is sometimes phrased, "We don't know who will die, but we know how many."

In the United States, the laws of various states specify certain mortality tables as a minimum basis for computing the reserve. For Ordinary policies, the "American Experience" table is usually specified.

Because this particular mortality table was developed many years ago, and mortality rates have since improved, people sometimes ask:

"Wouldn't the use of a more up-to-date mortality table reduce the cost of life insurance?"

People who ask this question are usually unaware of the fact that the cost of mutual life insurance is *not* determined by the particular table used to compute the reserves—whether the American Experience Table or any other.

For one thing, while the companies must have sufficient reserves on the basis of the legally specified mortality table, they are

not restricted as to the mortality table they use for determining premiums. Metropolitan, for example, does not compute its premiums directly on the American Experience table, but takes its own experience into account.

Furthermore, in a mutual company such as Metropolitan, the premium paid by the policyholder is fixed at an amount somewhat greater than that which the company expects will be needed to cover the cost of providing the insurance. This is done for safety—so that the company can be sure it will have sufficient funds to cover any unforeseen disbursements that may be incurred. Later the policyholder receives back, from year to year, in the form of dividends, a refund of the amounts not needed by the company.

In computing dividends, the company takes into account *recent* mortality—as well as actual interest earnings and expenses of the company. Thus the cost of life insurance is determined by what actually happens. In other words, the mortality table used to compute the reserve has little or no effect on the cost of life insurance, since dividends reduce the policyholder's

net payment to the amount required by *actual* experience.

Mortality, furthermore, is only *one* of several factors which enter into the cost of life insurance. The two other factors mentioned above—interest earnings and operating expenses—are very important. Anything affecting either of these factors also affects the cost of life insurance.

As a matter of fact, the continued decline in interest rates during recent years has substantially reduced the amount that could otherwise be returned to the policyholder as dividends. Naturally, this has increased the cost of life insurance, since the savings that have been made by the improvement in other factors have been more than offset by the reduction in interest earnings.

The important thing to remember is *this*: Regardless of the mortality table used to establish premiums or reserves, the Metropolitan policyholder receives his life insurance at the actual cost of providing it. And that cost is based on up-to-date experience, not just with regard to mortality, but with regard to *all* the factors which affect that cost.

COPYRIGHT 1940—METROPOLITAN LIFE INSURANCE COMPANY

This is Number 31 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements in this series will be mailed upon request.

Metropolitan Life Insurance Company (A MUTUAL COMPANY)

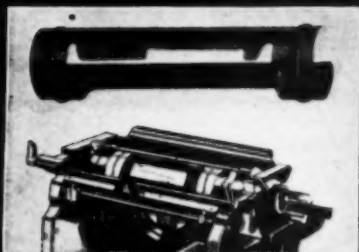
Frederick H. Ecker, CHAIRMAN OF THE BOARD • Leroy A. Lincoln, PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



Elliott
ADDRESSING MACHINES

Snap! GOES THIS
LITTLE CLAMP ONTO YOUR
TYPEWRITER PLATEN



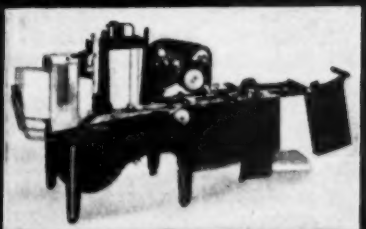
Quickly, your typist writes the mailing address of your prospect or customer.



**TYPE IT ONCE AND IT WILL
REPRODUCE ITSELF "FOREVER"**

A permanent address "Plate" completed in 36 seconds.

This same "Plate" will reproduce itself again and again in multiples of thousands at a speed of 018 seconds per address.



**AUTOMATIC ADDRESSING
TWENTY TIMES FASTER
THAN TYPING**

A booklet telling twenty-eight reasons why it pays to change to the Elliott Addressing System will be mailed to metal address plate users if requested on their business letterhead.

The Elliott Addressing Machine Co.
151 Albany Street Cambridge, Mass.



Eight new store fronts are going up on Water St. The Be Gay Shop (ladies' dresses, etc., and now Wilmington's renting headquarters) gets one of these.

Generally they wonder why the Administration didn't put its munitions plants on some of the no-good land it is always talking about. But they are resigned to the realization that you can't buck a Washington government that is hellbent on defense preparations.

No titles have yet changed hands though numerous options have been signed. Federal negotiators have been incredibly patient with farmers who turned bull-headed about moving and those who tried price hold-ups. Presumably the government will have to pry loose these balkers with its power of eminent domain. Maybe officials wouldn't have been so tender had this not been an election year.

• **Farmers on the Move**—Farm real-estate agents have moved into Wilmington for the migration. Owners who have optioned land to the government have in many cases taken options on other farms. Plenty of land is available. Insurance companies are offering numerous good farms in a 25-mile radius. The First National Bank hopes that the excitement will simmer down soon; its officers are overwhelmed by farmers who want advice on what prices to ask the government and where they ought to move. Of the 150 tenant farmers affected, about 100 probably will be forced off the land. They are expected to get jobs in some of the new activities.

From 15 miles around, the farmers drive in to nose their cars at the curbs of Wilmington stores. The town's population is predominantly old-American. Though surrounded by coal lands, Wilmington has none beneath it. Hence it has been spared the invasion of brawling miners who whooped things up at nearby Braidwood and Coal City. (Tony Cermak, assassinated mayor of Chicago, was a Braidwood boy.) Northern Illinois Coal Corp.'s

strip mine and the Lehon roofing paper plant are the biggest employers. In a circle of 25-mile diameter are Joliet with a population of 60,000, Kankakee (25,000), Morris (7,000), Dwight (3,000), and the smaller towns. Concrete roads give workers extreme mobility. They drive 25 miles to jobs and think nothing of it.

• **Local Hands Are Firm**—Anybody who thinks that toughs drawn from Joliet or other hard-knuckle centers are going to intimidate Wilmington townsfolk has another think coming. The town has always had saloons, now has six. Fighting drunks from the coal mines have been sandpapered down to size and the authorities aren't worried about bad babies who may come in to cook up TNT or load shells. Political and physical control of the community is likely to remain in local hands.

Wilmington, having weathered depressions in its own deliberate way, is slowly swinging itself into line to meet its first boom. Biggest building is that of the defunct Citizens National Bank, which was frozen stiff in the financial blizzard of 1932-1933. Here in a second-floor office sits A. W. Malone, construction boss for Sanderson & Porter. He is surrounded by borrowed furniture but wears a worried look that is all his own.

• **Impending Influx**—Malone is camping out on this spot because the government hasn't yet taken over any land where he can throw up an office shanty. This also has prevented both contractors from doing any hiring and accounts for Malone's worried look since construction is a rush job of eight to twelve months. Numerous parties in careworn jalopies have drifted into town looking for work but they drift out again when they are told that there is no hiring. These are a good class of men whom Wilmington would wel-



A Wilmington barber shop has branched out into the real-estate business—evidence of the farm-selling boom that has struck the community now that farmers east of town have so much potential government cash to spend for relocating themselves.

come. So far there has been no influx of undesirables. Such probably would encounter an immediate and hearty bum's rush; Wilmington hasn't needed, hence hasn't organized any charity organization to coddle the tin-can tourist and his numerous family. (Expectation now is that the work won't really start for four to five weeks, which would put the

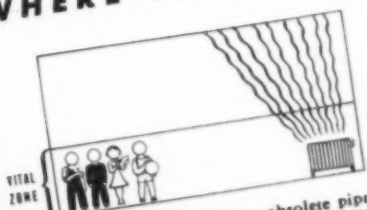


The town's biggest banking room, vacant since early in the depression, is now being remodeled into three modern shops to attract workers' dollars when munitions-plant payrolls really start to flow.

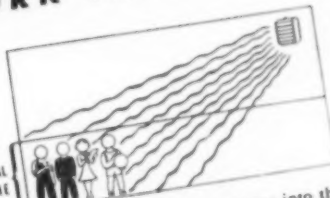
Business Week • November 2, 1940



SEE WHAT HAPPENS IN THE
Vital Zone
WHERE PEOPLE WORK AND PLAY



RADIATED HEAT — (from obsolete pipe coils or radiators) — rises and stagnates near ceiling, either leaving the "Vital Zone" cold and uncomfortable, or requiring excessive heat to keep the area near the floor at a satisfactory temperature.



ILG "LIVE AIR" is driven down into the "Vital Zone" where it is needed and wanted, maintaining a healthful, uniform temperature. Such forceful distribution requires but a minimum amount of heat for true Winter comfort.



SAVE 8 WAYS WITH NEW ILG STREAM-STYLED UNIT HEATERS

- **Save 15% to 25% on Fuel Cost**—by eliminating inefficiencies of radiators or pipe coils.
- **Save 100% on Floor Space**—by mounting heaters on wall or ceiling.
- **Save 5% to 10% on Power**—with ILG's exclusive miracle motor that "breathes".
- **Save Time Every Day**—on heating up your building.
- **Save on Wasted Heat**—no costly warm air stratified at ceiling—no overheating, with expensive warm air flooding out open windows.
- **Save on Labor**—in installing, maintaining and fire-tending. Keep employees more efficient with proper

atmospheric conditions—fewer layoffs caused by Winter illnesses.

- **Save on Deterioration of Stocks**—remove both danger of intense heat from nearby radiators or coils and danger from sudden temperature changes.
- **Save on Doctor Bills**—for dressing burns of employees or customers from contact with floor or wall heating devices.

Free BOOKLET

... tells the whole story, shows how you can modernize one department at a time, paying the costs of new installations with savings on the old. Write today—ask for Catalog No. 129.



THIS MOTOR NEVER "Slow Roasts"!

Coil heat, often causing "slow roasting" of the motor, is counteracted in ILG Units through the exclusive self-cooled miracle motor that "breathes". Gives you protection of fully enclosed motor, savings in operating costs of open motor.



ILG ELECTRIC VENTILATING CO.
2888 N. CRAWFORD AVENUE, CHICAGO, ILLINOIS
OFFICES IN 42 PRINCIPAL CITIES

ILG

UNIT HEATERS

job into winter weather, adding to construction costs and delaying production from the plants.) Plenty of engineering outfits are calling at Malone's hang-out in Wilmington, also at Sanderson & Porter's big office in Joliet, looking for work on sub-contracts.

• **Residents Come First**—Wilmington and nearby towns have been assured that first jobs will be given to persons in the community. It won't take long to absorb the local slack since employment hereabouts is fairly tight. Skilled men will be drawn from Joliet, Kankakee, and other adjacent centers, distances permitting them to remain where they now live.

The Wilmington Chamber of Commerce is busy with plans. Committees are canvassing the housing facilities to make the fullest use of existing rooms, the contractors having promised to hold back building of workmen's barracks until present shelter is exhausted.

Anyone coming to town and asking for rooms is referred to the Be Gay Shop. Proprietor of the Be Gay Shop (women's wear) is Mrs. Irene Stanley, who also is chairman of the committee on light-housekeeping and rooms-for-rent. Many surveyors and others on preliminary work are comfortably settled in such quarters. Prevailing price per week for rooms (with use of the family bathroom) is \$3, a raise of 50¢ from previous schedules.

• **Trailer Camps, Too**—The town was astonished when Mrs. Stanley's committee listed accommodations for 600 persons inside Wilmington, and accommodations for 500 more (including cabins) within four miles of town. Trailer camps measuring up to the state sanitary standards are plentiful.

Farmers living in Wilmington are thinking of moving back to cottages on their farms so they can rent their town houses. Wives of engineers in the more important pay brackets already are bidding against each other for desirable Wilmington residences. A few new homes have been started since the munitions plants were announced but there is no sign of a run-away real estate demand. The bank plans to enter the FHA Title II housing field if a real upsurge appears. It sees no reason why houses can't be built about as rapidly as needed. Questions to be answered are: How much housing will be needed during plant construction? How much when plants go into production? Will the plants be operating after two or three years? It is a typical defense housing problem. If the project looks like a flash in the pan, workers will not buy houses, private capital will stay out, the U. S. will have to carry the housing load.

• **Revamping the Town**—Wilmington has about 308 vacant residential building lots and some 36 lots in the business district. Everybody has hitched real

estate prices upward, but only a little. In the retail area some eight new storefronts are going in. They include a drug store, an ice-cream parlor, a meat market, a grocery, a dress shop. A dozen additional store fronts have been contracted for, all local enterprises. The banking room of the defunct Citizens National is being altered into three retail stores.

Realizing the danger to existing values from an indiscriminate inrush of business concerns, the town council is cautiously preparing a zoning ordinance. The Chicago Regional Plan Commission is advising and a consultant may be hired to fit the seams to Wilmington. Intention is to hold this measure in readiness for possible needs. This approach is typical of the town's methods. A plan has been drawn for increasing the police force to necessary proportions. A new fire engine (overdue for two years) has been ordered. The school board already knows what it will do about expanding educational facilities and where the money is to

come from. Sewer extensions are in the drafting room.

• **Taxes Cause No Worry**—Removal of \$4,000,000 in farm lands from the tax rolls does not worry a county that includes such properties as the Joliet plant of Carnegie-Illinois Steel. Prospects are that it won't seriously hurt the revenue of any township or school district. Wilmington folks are talking sense. They admit that the increased tax load will be temporarily embarrassing but feel that the increase in other tax income when the plants get going will soon ease the burden.

Other Defense Towns:

• **Ravenna, O.**—A \$14,215,000 shell-loading arsenal to be built on 21,000 acres, displacing 223 farm families. Will give 10-month jobs to 3,500 workmen. With families this means immigration of 6,000 to 8,000. Some workmen will drive 25-35 miles from Akron, Cleveland, Youngstown; others will live in barracks on job. Industries in area worried over possible loss



The population of Selma, Ala., was recorded as 18,012 in the 1930 census. Today it's 20,000, and due for a big increase from now on, thanks to—



—defense business like this \$2,300,000 airdrome now under construction.

2000 EXECUTIVES
HAVE ALREADY
RECEIVED A COPY
OF THIS BOOK! ★

AMONG the users of Brown Instruments are name after name of companies whose quality products are known the world over. Our booklet, "Instruments from the Executive Viewpoint," tells how Brown Instruments are Shouldering Responsibility in the plants of these great industrial leaders. Written in simple, non-technical language, it demonstrates how surplus funds invested in instruments pay surer and quicker dividends. It explains clearly how accurate measurement and control of temperatures, pressures, flows, and liquid levels can accomplish the two-fold demand of modern industry—keep quality up and bring production costs down. If you have not already sent for your copy, do so at once. There is no obligation. The Brown Instrument Company, a division of Minneapolis-Honeywell Regulator Co., 4525 Wayne Ave., Philadelphia, Pa. Branch and distributing offices in all principal cities. Toronto, Canada: 117 Peter Street — Amsterdam — C. Holland: Wijdesteeg 4 — England: Wadsworth Road, Perivale, Middlesex — Stockholm, Sweden: Nybrokajen 7.

Free!

Your copy of "Instruments from the Executive Viewpoint" is waiting for you. Learn how important Brown Instruments are to the manufacturing industry. See what they have done for others and what they can do for you. The coupon below will bring you your copy.

Brown Instruments can shoulder responsibility in your plant. They will work hand in hand with operators, engineers and executives by furnishing essential information necessary to your production. The unbiased counsel of the Brown Engineer on the application of indicating, recording and controlling instruments is available to you without cost or obligation. Call him in.



BROWN

INSTRUMENTS

Increased Industrial Efficiency is the Keystone of Preparedness

Speed Up Production — Keep Costs Down

BROWN INSTRUMENT COMPANY
4525 Wayne Avenue, Philadelphia, Pa.

Gentlemen:

Please send me my copy of "Instruments from the Executive Viewpoint." If Brown Instruments can improve quality and lower production costs, I'm certainly interested.

NAME _____

FIRM _____

ADDRESS _____

CITY _____

STATE _____

TITLE _____

Big Business for Charlestown (Pop. 950)

Charlestown, Ind.—now a town of 950—faces the prospect of becoming a city of 30,000 population. The following letter from Mr. S. E. Bolly, president of the First Bank of Charlestown, and secretary and treasurer of the Charlestown Milling Co., explains what this community thinks about its future as a munitions center, and explains some of the problems it has had to face already. Since Mr. Bolly's letter was written, the size of the smokeless powder plant which will be built in Charlestown has been doubled—from the \$25,000,000 plant of which he speaks, to one that will cost \$51,000,000. The possibility is that another \$24,000,000 will be added to this appropriation in the near future.

CHARLESTOWN MILLING CO.

FEED, ICE, COAL, GRAIN AND MEAL
Home of QUEEN'S QUALITY Feeds
PHONE 37

Charlestown, Ind.

Business Week,
330 W. 42nd St.,
New York, N. Y.
Gentlemen:

Replying to yours of the 12th, asking what effect the \$25,000,000 government-du Pont powder plant is having on the community of Charlestown, Indiana.

First I will give some of the town's history. Charlestown is one of the oldest towns in Indiana. It has reached sufficient size and was incorporated five years before Indiana became a state. It was the home of Indiana's first governor and was a center of early education. Charlestown is located 14 miles northeast of Louisville, Ky., and for 130 years has been a quiet, peaceful farming center. It has a 1940 population of 950.

About the first of December, 1939, a Mr. E. V. Attwell of Maryland came to our town and started taking options on a large tract of land between Charlestown and the Ohio River. This aroused lots of excitement and kept the population wondering and speculating as to just what the land would be used for and, if for a building site, what type of factory we would get (Mr. Attwell never revealed to us what the land was to be used for).

About the middle of August the story broke that we were to get a \$25,000,000 government-du Pont power plant. Almost immediately government and du Pont officials began to arrive. Our one hotel was soon filled to capacity. Our population opened its homes and took roomers (most of these people had never rented a room or kept a stranger in their homes). Charlestown's population has certainly come forward and cooperated 100%. Our small restaurants and confectioneries are overrun, all business in town has greatly increased and the plant is just now getting under way, with the first of the temporary buildings just now being erected.

The first government and du Pont

officials to arrive are mostly housed here but all facilities are now taken up and those coming in now are having to go on to Jeffersonville, New Albany, and Louisville. These men are as fine, clean, and upstanding as any community could hope to have. We, as old residents and business men, are truly surprised at the high ideals and standards of this entire group.

In the last 30 days, as I have before stated, all housing facilities have been taken and a large number are living in trailers. Charlestown has doubled or more in population, but so far there have been no disturbances. Our one-man police force is still handling the job and not having too much to do. The only confusion arises from badly over-crowded streets and all local business trying to keep stocks of goods on hand.

Of course, these are conditions as they exist today—really before the plant is started—and nearly all of our contacts have been with very high-type officials. Conditions may not be as pleasant when 5,000 to 6,000 workmen come on the job.

We are told that the plant will employ at peak of construction from 7,000 to 10,000. So far, most of the labor is from southern Indiana and Louisville, Ky. Most everyone wanting to work from this community and who can pass the physical examination is being put on the job. This has taken nearly all of our unemployed, many of our farmers, and most of the low-paid employed. The rate of pay for common labor is around 60¢ an hour.

As to what other industries are expected, we do not know. There is lots of talk but nothing certain that other industries are coming in. As for industries before, there were none except to serve this large farming community.

As to public celebrations, etc. to celebrate and advertise this project, there has not been any. Our business men and clubs had no advance information of what this was to be and since it broke, there hasn't been time.

As to what our population thinks of it, the people have not had time to analyze the benefits or disadvantages. We did not bring it and we could not have stopped it if we had so desired. It's here, and it has taken up our unemployment and it has greatly increased business.

Charlestown is fortunate that it was at least partly ready. Three years ago we installed one of the finest water systems any small town could have and have an unlimited supply of good water. At the present time we are nearing completion of a sanitary sewage system. Also during the past summer there has been considerable construction of new homes, most of which are just now being completed. Next summer we are expecting a house-building boom.

S. E. Bolly,
President,
First Bank of Charlestown,
Charlestown, Ind.

of skilled men. Wages expected to rise. Few relief enrollees can qualify for employment. A.F.L. and C.I.O. squabbling over control of prospective job bonanza. Federal purchase of \$1,000,000 farm land means tax loss to local governments of about \$6,000 yearly.

• **Brownwood, Tex.**—National Guard camp and trimmings to cost \$9,000,000. Not expected to eliminate relief since demand will be mostly for skilled labor. State employment service handling rush attracted by estimate of 7,000 jobs. The 20,000 men in service expected to add \$8,000,000 to community's annual net retail sales (now \$6,530,000). Bidding by guard officers for desirable houses is raising rents and causing kicks. No housing shortage yet since Brownwood must take up slack caused by violent oil boom years ago, which boosted population to 30,000, then let it down to 13,000. Federal housing project launched for 500 homes to rent for \$5 to \$10 monthly to low-income families.

• **Selma, Ala.**—Will get \$4,000,000 for Army air corps pursuit training school. City negotiated for land to be leased to U.S. for 99 years at \$1 annually. Private financing to build houses for officers. Personnel of nearly 2,000 expected to spend locally \$100,000 every month. Local sources report Selma business men "intoxicated with enthusiasm", note that this war is "to some extent mending the damage of the Civil War".

• **Montgomery, Ala.**—A \$1,131,000 program for Maxwell Field, in addition to incidental housing. WPA labor on buildings. Of 1,000 men (all local) now working, 300 are skilled. No cut in rolls for direct relief from this job but a \$1,500,000 USHA program for 424 residence units employing another 1,000 local men is credited with cutting 100 off relief roll (formerly of 300). Wholesale and retail business greatly stimulated.

• **Alexandria, La.**—National Guard camps (two) costing \$10,000,000. About 7,000 men will get construction jobs. State employment service helping with labor problems. Emphasis is on first jobs for local unemployed. Later workers will be taken from adjoining parishes. Transients warned against flocking into town. Residents warned against short-sighted price increases.

• **Rantoul, Ill.**—A \$7,300,000 expansion of Chanute flying field. Housing shortage forcing some of the 2,000 workmen to drive 30 miles to job. One contractor talks of railroad bunk cars for his men; another of equipping 40 warehouses as sleeping quarters. FHA will build 100-family unit to help house field's non-coms and civilians. Some shrinkage in relief rolls but no forecast of future. Town's streets "look like the Fourth of July most of the time".

• **Belleville, Ill.**—More than \$2,600,000 to be spent at Scott field. Expected

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cepted air, water and fire. We flick a switch—and an automatic razor zips off our whiskers. We push a button—and our automobile motor starts. A faucet turns—and a far-away pump delivers water. A vacuum cleaner cleans, an electric fan cools, an adding machine adds, a phonograph plays—and it's all automatic, as far as most of us are concerned.

• *We have been making electric motors for a great many years—in fact we've made millions and millions of them. Naturally, we have improved their design and construction considerably since 1886. We can remember when we thought a 1/4-horsepower motor, which took up more than a cubic foot of room, was a pretty commendable achievement. Now we can pack the same horsepower into a third of the space, sell it for less, and save the user a big dividend in operating cost.*

• *But after all, it's fitting the motor to the job that really counts. A 1/4-horsepower motor and a 10-horsepower job just can't be combined. Neither can an oil rig and a motor designed for an air conditioning system. That is why Westinghouse offers stock motors in thousands of types, sizes and ratings. And if none of these is exactly what is needed, a special model will be built to order.*

• *The electric motor is "bread and butter" to us—and to almost everyone else. The more we learn about the jobs it can do, the more we can add to its usefulness. Meanwhile, we keep right on with the testing, experimenting and improving that have helped to make the electric motor the unsung hero of American progress.*

• *Maybe you know a bright boy who would like to have us send him a little book telling how he can make a toy motor that will run. Just write Westinghouse, 306 Fourth Avenue, Pittsburgh, Pa.*

to reduce relief rolls only slightly since demand is for skill. Military force to increase from 2,000 to 8,000. Corresponding increase in retail sales.

• **Alameda, Calif.**—Worked 20 years to get naval air station on which U.S. will spend about \$20,000,000. Workmen on job now 800, soon to be 3,000. Mostly skilled. Housing shortage predicted. A housing authority will build duplexes and triplexes for civilians. Rent \$20 per unit per month. Air station site of 2,009 acres donated by city.

• **Inglewood, Calif.**—Huge orders to Douglas Aircraft and North American Aviation have increased industrial and commercial activity about 500% over that of 1930. Skilled craftsmen lacking. Douglas has opened employment offices in Detroit. Training of promising unemployed expected to cut Inglewood's relief load. Housing shortage is speeding drive for 2,000 to 3,000 new homes.

• **Utica, N. Y.**—Big industrial town already busy with war and supplementary orders when local Savage Arms plant got \$17,600,000 from U.S. for tooling up in preparation for production orders that may run beyond \$35,000,000. Manufacturers expect to take things in their stride. Figure men needed can be trained during 15 months necessary for tooling. Also that housing can be provided in time. City now has available quarters for 400 more families—a pretty thin margin.

• **Muskegon, Mich.**—Another city with greatly diversified products. Here Continental Motors defense orders (upwards of \$5,500,000) made but a small splash. Employment in major industries in August, 1939, was 14,033; in August this year, 16,471. No housing shortage. About 350 houses will be built this year, against 300 in 1939. No cut in relief rolls expected. Again, "demand is for skill".

Truckers Aroused

Highway haulers open drive against cuts in l.c.l. rail rates. Committee is set up to get facts and figures for ICC argument.

Highway common carriers, boiling mad about railroad rate competition, have organized a Defense Committee of operators and counsel from coast to coast. Duty of the committee is to develop facts and figures to put in evidence before the Interstate Commerce Commission. The ICC is getting to work on four general-investigation dockets to consider class rates and classification ratings of rail and highway carriers.

The truckers' committee is making an exhaustive study of their l.c.l. and truck-load costs, and also a traffic analysis of

• *For a thing so important to modern life, an electric motor is an amazingly simple device. Just a few pieces of steel, iron and copper, wound with coils of wire. Any bright boy can follow instructions and make one that will run.**

• *Yet the most romantic story ever told could be written about the electric motor. It runs practically every mechanical device in use today. It turns the wheels of industry. It carries people to work from the suburbs to the topmost floors of tall buildings. It changes housekeeping from dreaded drudgery to delightful adventure. Our daily lives and livelihoods depend—more than we realize—upon the smooth, effortless spin of a thousand electric motors.*

• *In fact, electric motors are so common nowadays that we accept them as our primitive ancestors ac-*

what commodities move by truck, in what quantities, over what distances. A sub-committee of truck-line accounting officers has developed routines to unearth the required facts.

• **The Why of It**—The reason for the truckers' energetic measures is to be found in the 3,500 reductions in ratings, all but a handful of them l.c.l., which took effect on Sept. 1 in, from, and to southern territory, despite the highway haulers' strenuous protests. First-class rate is 100%, second 85%, third 70%. Most of the southern railroad changes dropped items from first to third, a 30% cut, and the truckers perforce dropped rates identically.

Truckers' objections are based on simple mathematics. Typical Class I railroads derive 6%–13% of their total freight revenues from l.c.l. They could therefore halve all l.c.l. rates and reduce their total freight revenue by only 3%–6½%. Truckers derive 85%–95% of their total revenues from l.c.l., would take income cuts of 42½%–47½% by meeting such rate reductions—or lose most of the business if they failed to meet them. Heads they lose, tails they lose, when l.c.l. rates drop.

• **Reduction vs. Costs**—The highway haulers claim the cuts are out of all proportion to costs of handling the freight, claim the rails are planning to absorb minor losses into their booming defense business for the sake of breaking truck competition. To back up their claim, the operators point to the rails' continuous pleas to the ICC, before trucks were a factor, to boost l.c.l. rates because these were inadequate. With operating costs higher than ever, the truckers claim the railroads are losing money even faster on l.c.l. They point to 1938 railroad reports as showing the southern railroads handled \$42,000,000 of l.c.l. freight at a cost of \$62,000,000.

Motor truck men say the rails really began slashing l.c.l. rates on a wholesale scale when 1939 truck reports to the ICC proved the highway haulers could handle at a profit most l.c.l. commodities that the rails could handle only at a loss. They assert the railroads took a census of precisely what business was going by truck, then undercut these specific rates.

• **Atlanta Hearing**—Two weeks ago, in an ICC hearing at Atlanta, the truck associations clamored for an ICC order to compel the rails to make just such a study of freight costs as the truckers are making of their own volition. This week they clamored for the same thing in an ICC hearing at Chicago. They intend to keep up the clamor until somebody makes the roads produce factual data to justify their l.c.l. rate cuts as lawfully based upon costs. Their attitude is that they do not see how the ICC can ever hope to get the facts of freight rates without requiring a detailed investigation of freight costs.

AGRICULTURE

Farm Income Up

Month just ended may be best since 1929, and at this point 1941 promises even more, with defense payrolls to aid.

The American farmer has enjoyed billion-dollar months only three times since 1929—and October of 1940 will make it four. In fact, the month just ended has at least an even chance of proving the best single month since 1929 in point of cash farm income.

The Department of Agriculture has revised its estimate for 1940 farm income upward to \$9,000,000,000 as compared to \$8,900,000,000 in its August forecast. Inasmuch as the figure for the nine months ended Sept. 30 comes to \$6,175,000,000, it will be seen that the boys in Washington are looking for the fourth quarter to produce an additional \$2,825,000,000.

• **Last Month's Record**—October almost always is the biggest month for marketing of farm products, and it generally produces about 40% of the final quarter's farm income. On that basis, October of 1940 should yield about \$1,070,000,000. The best month since 1929 was October of 1936 with cash income of \$1,058,474,000 so that 1940 seems likely to have nipped the record.

Looking a bit further ahead—and always bearing in mind that long-range estimates in the field of farm economics are subject to the vagaries of nature and of economic impact—1941 looks even

better than 1940. The national defense program is filling the pay envelopes of industrial workers. The more money the working family has, the more meat and bread and fruit and vegetables it eats and the more clothing made from American cotton and wool it buys.

• **1941 May Top 1937**—Therefore, the Department of Agriculture's Bureau of Agricultural Economics hazards the guess (and its appraisals have merited a good deal of respect over the last few years) that 1941 farm income will exceed \$9,000,000,000 and may even surpass 1937's \$9,111,024,000. Always assuming, of course, that next year's crops are about the same size as this year's, that domestic business fulfills its present promises, and that nothing happens abroad which sharply alters the outlook.

Quite aside from increased and better distributed purchasing power among the working masses, it appears that the defense program will increase government purchases of farm products. Not only does an army have to be fed and clad and shod (the same men would need much the same things in civilian life), but the War Department must maintain reserve supplies of items like shoes and uniforms. Thus some estimates in the cotton trade—and they may be a bit too rosy—are that Uncle Sam will add as much as 10% to normal demand for cotton textiles in 1941.

• **Price Rise Favored**—Prices, of course, will play a major part in farm prosperity. At present, prices are low by comparison with the prosperous months of 1936 and 1937 even though they are slightly better than prevailing levels through most of 1938 and 1939. Moreover, a

Agriculture Approaches 1937 Mark

The year 1937 was the best since 1929 in point of farm income. Yet prices were declining at the year end and the fourth quarter yielded only \$2,603,651,000. This year prices are stable and crop marketings late,

promising a good fourth quarter. The 1940 period should produce cash income of about \$2,825,000,000, which would leave the full year only about 1% under 1937, as shown in the following table (000 omitted):

	1936	1937	1938	1939	1940
January	\$532,269	\$672,415	\$660,153	\$633,970	\$742,576
February	446,417	568,711	514,205	526,348	642,777
March	507,289	693,195	570,177	612,334	604,068
April	533,444	618,019	542,454	568,412	626,946
May	573,879	613,829	564,472	608,150	620,208
June	641,540	681,024	596,785	582,928	587,153
July	780,472	822,819	680,835	640,120	708,223
August	790,527	842,407	682,020	716,886	749,096
September	933,608	945,054	796,409	901,273	894,000
October	1,058,474	1,034,100	993,888	1,042,106	.....
November	910,236	833,265	801,946	884,026	.....
December	791,138	736,286	678,319	801,493	.....
Total	\$8,499,293	\$9,111,024	\$8,081,663	\$8,518,046	\$9,000,000*

*Official estimate of Department of Agriculture.

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rise is favored by the government's lenient attitude with respect to farm prices in contrast to its stern warnings on industrial prices.

When it comes to farm purchasing power, the price the farmer receives for his products is of no more vital importance than are the prices he pays for the things he buys. In respect to this ratio, the farmer is doing materially better than in either of the two preceding years. This is shown in the following table showing ratio of prices received to prices paid (1910-14 equals 100; prices computed as of the 15th of each month):

	1937	1938	1939	1940
Jan.	101	81	78	81
Feb.	96	77	77	83
Mar.	97	77	76	80
Apr.	97	75	74	80
May	96	74	75	80
June	93	74	74	77
July	94	77	74	78
Aug.	93	75	74	79
Sept.	91	79	80	80
Oct.	88	79	80	...
Nov.	84	78	80	...
Dec.	83	80	79	...

• **Export Outlook Dismal**—The farmer would undoubtedly have further improved his position in relation to the things he has to buy but for the sharp decrease in exports of leading cash crops—cotton, wheat, tobacco, and livestock.

This has resulted in surpluses backing up on domestic markets so that prices have been maintained largely because of federal loans for storage of such excess supplies. If conditions abroad do not change, it is to be expected 1941 also will be a very poor year for exportation of farm products. Consequently, even with normal crops, further surpluses of wheat and cotton may be expected to accumulate to the detriment of any rising tendency in prices. Beef and mutton and pork, on the other hand, are very responsive to increased purchasing power on the part of wage earners, and the farmer's income from livestock marketings could be materially higher in 1941 than in 1940. The same is true of those fruits and vegetables which do not rely too much on the export market.

WORLD COTTON GAIN

At a time when several of the important cotton-using countries are out of the market because of war and others are reducing their consumption by rationing, the world comes up with a larger cotton crop. The Department of Agriculture's experts estimate the 1940 production at 30,500,000 bales, showing a gain of about 1,600,000 over last year. The rise of almost a million bales in U. S. production to 12,741,000 bales is the biggest factor in the total gain.

MARKETING

Rift over Co-op

A. & P.'s "super" assailed by competitors as lever to gain price control throughout fruit and vegetable market.

The biggest thing in many a day to hit the fresh fruit and vegetable trade is the new "super cooperative" organized in Washington Oct. 26 by a group of some of the largest producers in the country, ably shepherded by representatives and close associates of Atlantic Commission Co., the Great Atlantic & Pacific Tea Company's fruit and vegetable buyer.

The trade has been buzzing with the prospect of such a cooperative and some parts of it have been charging Atlantic Commission with intent to enter into some sort of conspiracy to gather under its wing a monopoly of fruit and vegetable distribution. There is no doubt that the trade is split on the scheme, some having played with Atlantic in the past and made money, some willing to play ball if money can be made, others opposed.

• **Cry to the FTC**—Opponents, with Rep. Wright Patman, of Texas, as bellwether, have been crying to the Federal Trade Commission and Department of Justice to do something. Both agencies are known to be "interested," but nothing was forthcoming from either of them in the way of comment when the co-op was formally agreed upon. Attending the meeting were representatives of producers of about 500,000 carloads of fresh fruits and vegetables annually, about one-third the total United States production.

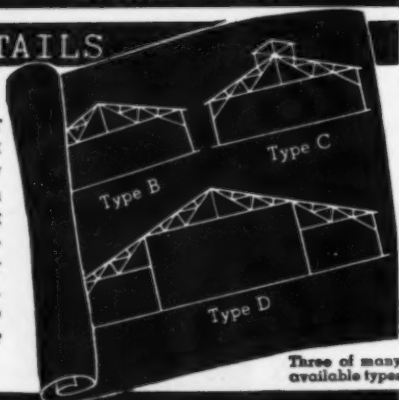
It was announced that the cooperative would be formed under the Capper-Volstead Act. Its name and the officers were not decided upon immediately, but actual completion of details of incorporation and organization were left in the hands of an executive committee of 25 headed by John Snively, Florida orange producer. Major aims and purposes were said to be to stimulate sales efforts, increase the flow of fruits and vegetables into consumption, anticipate peak movements, coordinate distribution, cooperate with wholesalers, jobbers, brokers, and independent retailers, promote standardization and modernization in the trade, and so on.

Caustic critics say, however, that A. & P. would like to put the deal across because of the leverage which such a volume of business would give it on

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- ★ New "Unitized" Steel Body—Safer, Quieter!
- ★ Improved Weather Eye Conditioned Air System
...and Convertible Bed!



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Nash offers every large fleet operator a car
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IT'S here today. The low-price car fleet owners hoped they'd someday see.

—The kind of a car that only Nash could build!

It's big, sturdy, beautiful-looking. But just imagine it delivering 25 to 30 miles to the gallon in the hands of your average good driver!

Just imagine the money it can save on your operating costs every year! And we invite you to check this economy yourself—over your own routes, with your own drivers—for thirty days.

We want you to see how—with Nash's many new engineering developments—it will cut your operating costs on gas, oil, tires and maintenance.

From the wheels up—it's completely new. Instead of the usual bolted body

and chassis, it has a new "unitized", welded steel body—used for the first time on cars costing less than \$1,200. Safer, stronger—yet lighter, it adds extra mileage to tires and gas.

Instead of the usual fuel-wasting engine, Nash has the new economical "Flying Scot" engine—*Manifold-Sealed* with full pressure lubrication for dependable performance and long life.

Instead of ordinary springing, Nash offers something new in the lowest-price field—coil springs on all four wheels.

With its new Two-way Roller Steering, salesmen will find it quicker, easier to handle and park.

And it's made to order for winter! The new, improved Weather Eye Conditioned Air System keeps drivers go-

ing even in weather cold as 10° below. The Convertible Bed available in every Nash sedan provides a sleeping car for overnight trips.

Actually, no other car on the road today can offer you the comfort, the convenience, the all-around economy of this new, lowest-price Nash. It's ready for your inspection now. Why not see about starting the Nash 30-day test today?

If you are a large fleet operator, write W. A. Bles, General Sales Manager, Nash Motors Division, Nash-Kelvinator Corporation, Detroit, Michigan, and a car will be sent for trial.

Business Coupe illustrated, delivered at the factory, including all standard equipment and Federal taxes . . . **\$731**

Weather Eye, Fourth Speed Forward, Convertible Bed; optional equipment at slight extra cost.

NOW IT'S NEVER TOO COLD!



Nash Weather Eye Conditioned Air System supplies drivers fresh air comfortably warm even at 10° below zero . . . can cut down sick days.

EASIEST HANDLING CAR EVER BUILT!



Nash's new *four-wheel* coil springing, Two-way Roller Steering let salesmen "take it-easy" on the route, yet make more calls per day.

GO NASH
AND SAVE MONEY
EVERY MILE!



RECORD ORDER

The M. H. Renken Dairy Co., Brooklyn, last week put into operation fourteen 3,000-gal. tanks and seven railway flat cars utilizing the Fitch system of

coordinated rail and highway transportation (BW—Feb24'40,p28). This is the largest single order that has yet been placed for Fitch equipment, which transfers tanks mechanically from flat cars to tractor trailers.

prices throughout the whole fruit and vegetable market.

• **Wickard Consulted**—Prior to organization a group discussed the plan with Secretary of Agriculture Claude R. Wickard and other officials of Agriculture. Disappointment was expressed at the organization meeting at the absence of any Agriculture representative. It was obvious that Agriculture was cool, despite the Wickard conference. Opponents of the plan also had spoken to Wickard, and the National Council of Farmer Cooperatives, the over-all organization of big farm co-ops, issued a statement asserting it "views with alarm" the new organization and that it had asked Federal Trade Commission to look into it.

Every effort is being made to minimize the connection between the new group and Atlantic Commission. There has been and will be no formal tie-up or exclusive arrangement, it was said, but Atlantic has offered to act as broker, handling the co-op's products and returning all profits, minus brokerage and actual expenses to the co-op—except on sales to A. & P.

• **How It May Work**—Details of the arrangement are unconfirmable. According to one version, the co-op would pay Atlantic Commission \$25 for every carload of produce it took to market. Then, at the end of a year or some other operating period, if Atlantic finds that its actual expenses, including overhead, have amounted to only, say, \$6 per car, it will return \$19 for each carload to the co-op. In such case, however, Atlantic Commission would re-

tain the \$19 profit for each carload sold to A. & P.

Since it has emphasized that Atlantic has no exclusive agreement with the co-op, presumably other chains could come in on the same basis. By this week, none had made any move in that direction. Rather, there was some talk that other food chains might issue a joint repudiation of the plan.

Paper vs. Glass

Chicago milk dealers get new jolt as court legalizes use of containers, which at present add about 1c a qt. to cost.

Chicago milk dealers may long remember this October as the month of double trouble. For the first nine months of 1940 they dipped into surplus to finance a price war between company-wagon and independent-vendor factions. On Oct. 1 they patched up a truce and boosted prices. Immediately Trustbuster Thurman Arnold and his staff swooped down, crying "Collusion" and clamoring for a grand jury (BW—Oct12'40,p40).

Less than three weeks later the federal district court handed down an opinion that to most of the dealers was about as welcome as rain at a picnic. Despite the Chicago Board of Health's claim that the paper milk bottle is unsafe, unsanitary, and unstandard, Judge Woodward enjoined

the city to cease its two-year resistance to Dean Milk Co.'s efforts to sell milk in paper.

• **Paper for All**—Dean took a few more days getting over the legal hurdle, but by Thursday, Oct. 24, was delivering to store outlets milk in paper at the same price as glass. Next day Borden and Borden-Wieland, the two biggest outfits, had paper milk available for all their stores. Small dealers still lacked paper-bottling facilities, but by Saturday some of them ingeniously got around this temporary obstacle by buying as vendors for their big competitors and reselling to their own outlets. The city is appealing the injunction, but meanwhile paper is legal.

• **Extra Cost 1¢ per Qt.**—Most Chicago dealers have long known paper must eventually come, but wish they did not have to put it on under present conditions. Best cost that the Chicago milkmen have been able to achieve with paper bottles is a bit more than 1¢ above the costs of milk in glass quarts, which checks with a glass-industry-financed survey which shows paper costs averaging 0.8¢ higher than glass costs in several big markets.

That survey, however, has been denounced by the paper people. They say it compared small, inefficient paper operations with big bottle operations, did not take into proper account all the handling economies possible with paper. They declare that in New York City milk is home-delivered in 2-qt. paper containers at a price 3¢ less than that of two 1-qt. bottles.

• **New York Experience**—Home delivery of the 2-qt. paper containers was begun in New York just a year ago, but 1-qt. paper containers have been in stores in the metropolitan area for nearly a dozen years. Roughly 50% of New York City's milk distribution is through retail stores, and half of this is in 1-qt. paper containers. Most stores charge a cent more for milk in paper containers than for bottled milk (not counting a 3¢ deposit on bottles), but distributors say the reason for this is that they can get more from stores for paper because most of the price-cutting is done on bottled milk. The Borden Co. has testified that, if it dealt only in paper-contained milk, it could put it down in New York stores as cheaply as bottled milk.

When the big New York companies, Borden, Sheffield Farms, and Renken Dairy, began home deliveries of the 2-qt. paper containers last November, they limited distribution to routes in the Borough of Brooklyn. In March, when additional machinery had been installed, the 2-qt. containers were extended to other boroughs and other companies, and now account for 50% of the home-delivered sales in the city. Customers can still get milk in bottles if they want it that way—but the saving



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A secret weapon of defense because

no one in all the world has ever been able to gauge American Industry's full productive might . . . no national emergency has ever been big enough to force it to *extend* itself!

A secret weapon of defense because no one knows what to expect from a nation whose industries have already given the world the submarine, the airplane, the machine gun, the ar-

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with the paper containers is a strong converting force.

• **Total Consumption Up**—What's more, the companies say that total consumption is up "a little bit"—precisely how much is hard to say on the limited experience.

The effort to cut costs and boost consumption by promoting half-gallon sales is new only as regards paper containers. Bottles of 2-qt. and even gallon size have been tried with varying success in a number of cities (BW-Jul '38,p29).

Whatever part of the customer saving is attributable to the 2-qt. size rather than to the type of container, the New York companies seem well satisfied with paper. The filled fiber container weighs only 40% as much per quart as filled bottles, and occupies one-half as much space. Ice requirements for refrigerating the paper containers are only 10% of those for glass.

Whether these savings offset the cost of the paper containers is a neat problem that the cost accountants of the bottle and paper manufacturers will fight over until the evidence piles up conclusively on one side or the other.

• **Chicago's Sore Spot**—What burns up Chicago dairies is that just when they had halted the price war, the advent of paper milk put them almost back where they were. Whatever the operating figures of others, their own 1¢-extra cost on paper will eat up most of the Oct. 1 price increase of 1¢ on store milk. Experience in the Chicago suburbs, where paper containers have been legally O.K., indicates that 65% of the store customers in the city will demand paper.

On home-delivered milk, the Chicago dealers last month left quarts unchanged, boosted gallons 1¢ per quart, and half-gallons ½¢ per quart. Thus, with the coming of paper to stores, the only real advantage left from the price boost is that from gallons and halves.

Drug Law Warning

FDA plans crackdown on manufacturers who ignore clause requiring frank label statement of product's medical efficacy.

The Food & Drug Administration is not satisfied with the way some drug manufacturers are ignoring an important—and distasteful—provision of the new drug law. This provision, an innovation in federal regulation, requires revelation on labels of facts which some manufacturers might not like to admit. In other words, a manufacturer might tell a part of his story by listing ingredients, and by giving adequate directions

for use, as required by the new law, but might omit a very important part—that his product won't measure up to claims.

This is by no means true of the great bulk of drug products, but many products are of very doubtful value for conditions for which they are recommended. Some products actually contain inert or therapeutically ineffective ingredients, though they may be truthfully labeled. FDA believes such labels should tell frankly that they will have no therapeutic effect, which, of course, would be making a manufacturer sign his own death warrant.

Nevertheless, the law says that in determining whether products are misbranded because of misleading label statements, FDA must take into account not only representations actually made, but the extent to which labels fail to reveal facts that are material in the light of representations made with respect to efficacy of the product. Manufacturers have been understandably shy about making these supplemental statements on labels, and Commissioner W. G. Campbell of FDA has served notice that a crackdown is in the offing.

Consumers First

That's the dominant note in advertisers' sessions. Movement toward standards now seen as promotion possibility.

The meetings of the Association of National Advertisers are conducted on an intramural basis. Officers are elected and association policies decided upon behind closed doors. Once that job is done, the association invites agency and media friends to sit in with them.

Last week, after the A.N.A. meeting at White Sulphur Springs, W. Va., some of the members were saying that it wouldn't have been a bad idea if, for once, the convention had been less exclusive. Specifically, they thought it wouldn't have hurt to have had a few consumer leaders in the audience at the convention's highlight session—a discussion of standards for consumer goods.

• **History Lesson**—Feature of the session on standards was a dramatization of the little-understood subject by players from the Columbia Broadcasting System. The presentation traced specification buying back to Colbert, in the 17th century, and set forth convincingly both the advantages of standards for consumer goods and the difficulties of arriving at standards which have meaning.

Following the dramatization, Otis L. Wiese, editor of McCall's Magazine, discussed the proposed Institute of Standards, Inc. Still in the formative stage, the Institute will bring business and consumers together to agree on

IT'S A FACT



YALE ELECTRIC TRUCKS

are better!

BETTER—FASTER—MORE ECONOMICAL. Those four words tell the story of Yale Electric Industrial Trucks—and Yale Trucks apply those words to handling operations.

No matter what your handling problem, there's a money-saving Yale Truck for the job. The complete line includes low-lift and high-lift platform, fork, ram and crane models in capacities for every need.

In addition, basic underlying features make Yale Trucks do superior work longer. Here are a few of them:

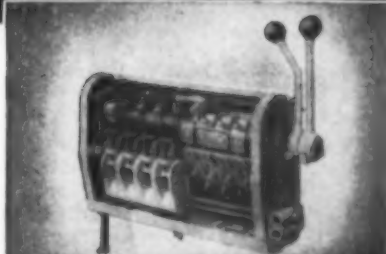
1. Drive Unit . . . uses straight spur, or combination of bevel and spur gears. Gears are drop-forged, chrome-nickel, heat-treated steel, cadmium plated for longer life. For smooth operation, they are mounted on roller bearings and move in an oil bath. Here's extra power 24 hours a day!

2. Cam-O-Tactor Controller . . . Positive mechanical cam and roller action makes and breaks contacts, guards against welding of contact points. Permanent alnico blow-out magnets instantly quench arc—lengthen contactor life. This improved simplified controller is safer, trouble-free—means fewer costly repairs and lost hours.

3. Driving Brake . . . mounted directly on motor end head, operates on a high-speed cast-iron drum and transmits the braking action to both driving wheels via a train of gears and differential. Regardless of operating conditions, it brakes the power at the source—gives operator the added safety of simultaneous braking on both drive wheels.

4. Drive Wheels . . . are electrically welded disc steel type, mounted to the driving flange by specially hardened steel dowel bolts. Wheels can be easily demounted without exposing the sealed bearings or disturbing alignment. Servicing time reduced to a minimum!

There is a Yale Electric Truck for your handling job. The Yale representative (listed in the Classified Directory) will be glad to tell you about it. Or write to us direct.



CAM-O-TACTOR CONTROL



DRIVING BRAKE



DRIVE WHEEL

THE YALE & TOWNE MFG. CO.

PHILADELPHIA DIVISION, PHILADELPHIA, PA., U. S. A.

IN CANADA: ST. CATHARINES, ONT.



Makers of Yale Hand Chain Hoists, Electric Hoists, Electric Industrial Trucks, Hand Lift Trucks and Skid Platforms.

standards for various kinds of goods, and will provide manufacturers with an opportunity to have their products checked against those standards (BW—Sep 7 '40, p40).

More significant than the details of the discussion at the A.N.A. meetings was the over-all tone. A year ago, when advertising men got together, the stress was on the belief that standards, particularly grade labeling, would be the death of trademarks and advertising. Now there is a readiness to explore the idea that standards might become a strong promotional force to help business sell its goods.

• **Poll by Gallup**—Corollary to the discussion of standards was a report by Dr. George Gallup on a poll of what the general public and high school teachers think about the announced objectives of the consumer movement. Similar to one made a year ago, the poll shortly will be released in detail by the Advertising Research Foundation. It brings out that:

The consumer movement is as lusty as ever but has not grown with the prairie-fire speed that some leaders predicted.

There is still "an amazing ignorance" of the cost of advertising, and teachers are less well-informed in this respect than the general public.

A slight majority of the public is in favor of product standards, but many do not even know what standards are.

The consumer movement, including the demands for consumer standards and greater governmental regulation, stems from upper rather than low income levels.

FTC HOT POTATO

Fair trade proponents are putting forth the suggestion that the Federal Trade Commission will continue to fumble with its report on resale price maintenance until a convenient time arrives when it can be pigeonholed.

The times for making public the report have been successfully postponed. Originally promised for this summer, it no longer is expected until early next year in any case. Reasons are vague. FTC was embarrassed when the Druggists' Research Bureau made public its voluminous report which showed that fair-trade laws have not increased prices to consumers.

It is whispered that FTC's own report showed very much the same results; at least that it came too close to the druggists' conclusions for comfort. FTC thereupon returned the report to its economic division for "further study."

If FTC comes up with the same conclusions, anti-fair traders will immediately charge it with selling out. If it comes to opposite conclusions, the druggists will charge persecution and it may result in the filing of a minority dissent—something FTC doesn't like.

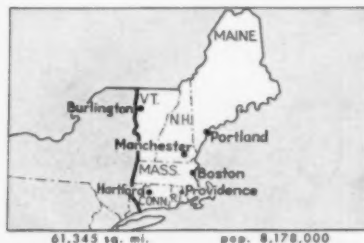
The Regional Market Outlook

BOSTON—Despite recent advances in consumer-goods production—cotton textiles, woolens and worsteds, and shoes—New England's industrial areas still present internal contrasts. In Connecticut metal-working centers, such as Hartford, Bridgeport, Waterbury (a market of more than a million population), retail sales have been running at post-1929 highs—largely because of the level of payrolls in aircraft and other defense

industries. In the Fall River-Providence-New Bedford area—also a market of a million people—sales gains have run only 5% ahead of 1939, against 12% in Connecticut. Here consumer goods dominate payrolls, and operations of cotton and woolen mills have not advanced much above 1939 schedules, and are still far below the 1936-1937 peaks.

Trade gains in the consumer-goods towns of New Hampshire, Vermont, and Massachusetts (including Boston and its industrial vicinity) likewise have been unspectacular. However, there are exceptions—Watertown, Mass., with its arsenal, and Quincy, Mass., with its shipyards.

From now on, increases in retail business are likely to be more evenly distributed. In the heavy industries, payroll expansion is limited by plant capacity. But in the lighter-goods lines production facilities are ample—at least for the present.

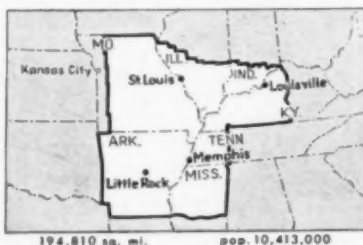


ST. LOUIS—Already in this district defense has been a strong business stimulus. Coal mining in southern Illinois, Indiana and western Kentucky is well ahead of 1939; steel payrolls in and about this city are up; lumbering in southern areas has increased; shoe manufacturers in Kirksville, Moberly, and Washington, Mo., and Quincy, Ill., are busy on government orders, and railroad equipment plants in northern industrial

communities like Mt. Vernon, Ill., are active.

More jobs, however, will open up later. The armament industry is beginning to assume definite economic significance in the northern part of this area. Thousands of workers will be employed in new aircraft, small arms, chemical, metal, powder, and other factories being built or in the blueprint stage. The inference is that in coming months retail trade volume will expand with payrolls.

Despite increased demand for hardwood lumber, expansion in bauxite mining, future REA electrification of the Arkansas quicksilver area, and other defense developments, trade in the agriculturally-dependent southern sections should lag behind the rest of the district. So far this year, farm income has been only up to 1939 levels, and cotton is not likely to change this relationship (BW—Oct 5 '40, p14). Receipts will be about equal to those of 1939.



DALLAS—Retail trade is running high, buoyed by gains in farm income and manufacturing payrolls, and the only off-key note has been a spell of dry weather in recent weeks. This has delayed planting winter grains and preparation of soil for next year's crops.

But livestock are still in excellent condition and the cotton pick is 10% greater than a year ago. Average prices are up, too, because this year's grade of lint is

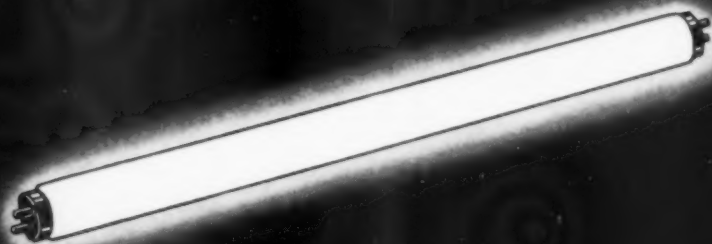
better than usual. Moreover, minor crops now coming to market—sweet potatoes, grain sorghums, peanuts, rice—are in larger than last year and prices are up.

National defense has stimulated industry (BW—Aug 31 '40, p14). In September, manufacturing payrolls were 11% higher than in 1939. East Texas' lumbering industry is busy, with demand enhanced by construction of military encampments. And along the Gulf Coast, at Corpus Christi, Houston, Beaumont, and other points, steel plants are going full blast, new chemical factories are being built, and oil refining operations are up.

Retail sales gains over 1939 have been evenly spread in this district, averaging 4% for stores in large and middle-sized cities, and in rural areas. Livestock profits have been good in southern Arizona, southern New Mexico and west and southwest Texas, while crop conditions in the Dallas-Ft. Worth area have been excellent.



"WHAT CAN MY BUSINESS GAIN



from this new
**G-E FLUORESCENT
LIGHTING?"**

IF YOU ARE A RETAILER...

Here's a basic merchandising principle as exciting in its way as island displays and one-cent sales:

Your customers see *faster* and buy faster when you give them *more light*. And you can *afford* more light than ever before with G-E Fluorescent Lighting! Its long cool tubes of indoor "daylight" have become a potent sales aid in almost every type of store. Mail the coupon now or write us on your business letterhead. Let General Electric tell you exactly how you can use this new light source to increase your profits!

A WORD OF ADVICE

To be sure of the high quality that comes from General Electric lighting knowledge and leadership, be sure you get G-E MAZDA Fluorescent lamps. They assure maximum light output for current consumed and they're made to stay brighter longer!

IF YOU ARE A MANUFACTURER...

If you must meet stiffer production schedules immediately, even before you can train new employees or enlarge your plant, you should investigate G-E Fluorescent Lighting today! Many mills and factories are cutting down rejects, increasing production, and improving employee working conditions by adding

the *extra light* that G-E Fluorescent Lighting makes possible. Light that is the next thing to real daylight in color, quality, coolness. Let G.E. tell you the inside story. Mail coupon or write us on your business letterhead now!

COMPLETE FIXTURES NOW AVAILABLE



Commercial unit, 200 watts, using four 40-watt, 48-inch G-E Mazda F lamps.



Commercial fixture, 100 watts, using two 40-watt, 48-inch G-E Mazda F lamps.



Commercial unit, 150 watts, using six 20-watt, 24-inch G-E Mazda F lamps.



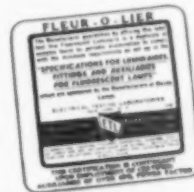
Industrial unit, 100 watts, using two 40-watt, 48-inch G-E Mazda F lamps.



Industrial unit, 75 watts, using two 30-watt, 36-inch G-E Mazda F lamps.



Industrial unit, 100 watts, using two 40-watt, 48-inch G-E Mazda F lamps.



This label identifies Fleur-O-Lier fixtures, made by over 35 experienced manufacturers, and certified by Electrical Testing Laboratories as meeting 50 specifications set up by Mazda lamp manufacturers, when equipped with ballasts and starters certified by E. T. L.

The certified fluorescent fixtures shown above are only a few of the many complete fixtures now available through G-E Mazda lamp distributors. G.E. does not make fixtures but is glad to recommend Fleur-O-Liers and RLM Industrial Fixtures.



On June 1, 1940, General Electric announced sweeping price reductions on Fluorescent and many other types of G-E MAZDA lamps for home and business, including Mercury Vapor and Silvered Bowl MAZDA lamps.

G-E MAZDA F lamps are recommended for use only with equipment providing good power factor, such as Fleur-O-Liers, or RLM Industrial Fixtures.

G-E MAZDA LAMPS
GENERAL ELECTRIC

General Electric Company, Dept. 166-BW-K
Nela Park, Cleveland, Ohio
Please mail, without obligation, complete information about
Fluorescent lighting for my office ☐ store ☐ factory ☐

Name _____

Name of firm _____

Address _____



BUSINESS GIFTS

DAT-O-CLOCK

The day... date... hour—always before your eyes. This beautiful Park Sherman Business Gift will enhance the finest executive desk. Choice of English bronze, black enamel, or simulated wood finishes. Write for quantity discounts for holiday gifts, etc. Available with your imprint.



PRECISION MADE BY
PARK SHERMAN CO. 230 E. OHIO ST.
CHICAGO

LABOR & MANAGEMENT

Crisis in C.I.O.

Lewis speech highlights fact that, either way the election goes, the organization will not remain the same.

On March 4, 1933, Franklin D. Roosevelt took office as President. In the summer of 1933, John L.

Lewis and his organizers for the United Mine Workers stormed the open-shop citadel of West Virginia coal and in six short months gleaned 60,000 members and closed-shop, check-off contracts for the whole state. In that campaign, posters showing Lewis and Roosevelt together with the caption, "Your president wants you to join the union," turned the trick. Workers did not know that "president" meant the head of the United Mine Workers Union and not Roosevelt.

Last week, however, when Lewis talked over a national radio hookup about the President he wants elected next Tuesday every worker knew that he meant Willkie.

• **Trumpets of 1936**—In 1936, every C.I.O. field representative was a full-time worker for the Democratic Party. The Lewis-led United Mine Workers' Union contributed \$600,000 to Roosevelt's campaign. When Roosevelt was re-elected, the C.I.O. unions trumpeted the result as a great victory for themselves. So convincing were they that thousands of workers in steel and auto flocked into membership. General Motors and United States Steel signed contracts. The new unions seemed firmly established.

Lewis' rise to the most conspicuous position in American labor paralleled the career of Franklin Roosevelt. His break with the A.F.L. was made effective by the New Deal's Wagner Act. The strategy of the Lewis advance was to capitalize on, and contribute to, the Roosevelt successes. It was inevitable that, in the process, an interaction should operate in which each man tried to build up the other. The loyalty of the urban working man to Roosevelt is due in no small measure to Lewis' support; the stature of Lewis may be in large part attributed to the green light which the Roosevelt Administration gave him.

Now, by asking workers to repudiate Roosevelt, Lewis, for the first time, has asked his followers to choose between him and the man to whom destiny linked him.

• **C.I.O. Crisis Either Way**—John Lewis has made the issue his continued leadership of the C.I.O. He has clearly stated that if Roosevelt is re-elected he will consider it a mandate to resign as president of the C.I.O. when that body convenes in Atlantic City Nov. 18. But he well knows that, if Willkie is elected, there are important C.I.O. affiliates which will refuse to continue in an organization under his leadership. Hence, whether it is Roosevelt or Willkie on Nov. 5, the C.I.O. as it is at present constituted is done. Either, with Roose-

World's most modern stainless mill uses **BAKER TRUCKS**



(Top) Baker Ram Trucks handling coils of stainless steel in the mill's new finishing plant.

(Left) Baker Ram Truck carrying a paper-wrapped coil of stainless steel. Capacity of these trucks is 7000 lbs.

Modern Trucks Designed for Modern Handling Requirements

The world's largest producers of stainless steel would naturally insist on the best of material handling equipment for their most modern mill. Their selection of Baker Trucks was dictated by experience with more than fifty Baker units already in service in their other plants. Determining factors were greater dependability, greater maneuverability, faster service and less time out for repairs.

If you have a material handling problem, why not let the experience of this great steel company also guide you to the right answer? Call your nearest Baker representative or write us direct.

BAKER INDUSTRIAL TRUCK DIVISION of the Baker-Raulang Company
2164 WEST 25th STREET • • • CLEVELAND, OHIO

In Canada: Railway and Power Engineering Corporation, Ltd.

OLDEST MANUFACTURER OF ELECTRIC VEHICLES

Baker

INDUSTRIAL TRUCKS

velt victorious, it will come under the leadership of a "moderate" like Philip Murray, and peace with the A.F.L. will be the order of the day; or, with Willkie winning, unions like the clothing workers and textile workers who have bitterly denounced Lewis for his stand will leave the organization for independent status or A.F.L. affiliation.

In the meantime, C.I.O. men who have been close associates of Lewis and who know him as a shrewd bargainer are speculating on the quid pro quo he got for joining the Republican camp. They pooh-poo the allegation that Lewis's pique led him into it for, while they know him as a willful, brooding man, they trust his instinct of leadership to check-rein purely personal considerations. Nor do they put much stock in the notion that he has been promised the Secretaryship of Labor and the right to name NLRB members by Willkie, pointing out that Lewis turned down the cabinet post when President Coolidge offered it to him.

• **A Bargain in Steel?**—Labor dopesters point significantly to that part of the Lewis speech in which he referred to Messrs. Grace, Girdler, and Weir—heads of Bethlehem, Republic, and National Steel, companies which the C.I.O. has tried unsuccessfully to penetrate. Lewis said: "It is a reasonable hope that these gentlemen, acting in their corporate capacities, will soon execute collective bargaining contracts with the C.I.O." Dopesters are suggesting that Willkie purchased Lewis's support at the price of getting these gentlemen to agree to recognize the C.I.O.

Heads of the Steel Workers' Organizing Committee, the union which would be directly involved in any such "deal," unequivocally deny any knowledge of its existence. The three top S.W.O.C. chiefs, Philip Murray, Clinton Golden, and Van Bittner, have been and continue to be ardent Roosevelt proponents. Murray appeared with Henry Wallace on a Pennsylvania tour on the eve of the Lewis speech and is being currently boomed as the Democratic nominee for the state's governorship in 1942. Golden issued a statement this week re-emphasizing his support for Roosevelt, and Bittner wired the President reiterating his Roosevelt partisanship immediately after Lewis spoke.

• **S.W.O.C. Denies All**—It is clear that if there is any "deal" between Lewis and the heads of the independent steel companies, Murray and the S.W.O.C. have not been taken into the big chief's confidence. Steel union leaders have been quick to deny that their organization figures in a horse-trade for Lewis's endorsement, quick to get off the spot by announcing that S.W.O.C. field men will take the Lewis stand as a goad to greater efforts for



One of forty small concrete homes being built in the industrial city of Chicopee, Mass., by H. D. Fiedler and Associates.



Firesafe concrete throughout—Atlanta home, designed by Carl E. Helfrich; Hallman Bros., builder.

In "low cost homes" as in larger ones *firesafe Concrete* means greater mortgage security

Mortgage lenders and builders of new homes: Let us show you the dollars-and-cents advantage of specifying *concrete* walls, floors and foundations.

• **Concrete Can't Burn.** Concrete's firesafety protects lives, family possessions, the home investment.

• **Saves Maintenance.** Concrete's resistance to sun, wind, termites and decay—its staunch, repair-free construction—spell economy from the start.

• **More Comfortable, Livable.** Concrete walls offer a high standard of comfort, winter and summer.

• **Quickly Built.** Speedy construction, use of local materials and unskilled labor . . . additional reasons for considering concrete.

• **Protects Neighborhood Values.** Concrete homes keep a pleasing appearance; protect home neighborhoods against the early blight that goes with inadequate, temporary dwellings.

• **Surprising Economy.** Builders everywhere are finding concrete low in first cost. Concrete provides LOW COST shelter with higher living standards.

We'll be glad to give you the names of nearby architects, contractors and concrete products manufacturers who will help you estimate costs and prove this saving. Send for new booklet, "Suggested Designs for Small, Firesafe Concrete Homes," showing ideal homes for industrial workers, families with modest incomes—free on request in the U.S. or Canada.

PORTLAND CEMENT ASSOCIATION, Dept. 11a-12, 33 W. Grand Ave., Chicago, Ill.

A national organization to improve and extend the uses of concrete . . . through scientific research and engineering field work



John L. Lewis has risked a lot on labor board elections in his day, but now he's risking his whole career on the political election.

getting out the labor vote for Roosevelt. Similarly, they discount attempts to read any unusual significance into the reports that Defense Commissioner Hillman is negotiating for settlement of the S.W.O.C.-Bethlehem feud (BW—Oct 12 '40, p. 53)—reports which some observers had interpreted as an effort by C.I.O. Roosevelt supporters to trump Lewis's ace.

Analysts, keeping a box-score on how C.I.O. officials lined up, were noting that support for the bushy-haired, bull-throated leader was almost completely confined to men from left-wing, Communist-influenced unions and Mine Workers' Union payrollers.

New Psych Quiz

Test is used in an effort to weed potential trouble-makers from job-seekers. Method shows seven temperament groupings.

Personnel executives of California defense industries, notably Lockheed Aircraft Corp., are using as a part of their hiring method a new psychological test specifically designed to keep sabotage hazards at a minimum by weeding out possible troublemakers from among employment applicants.

The test is supposed to show temperamental trends not revealed in similar tests for skill or general intelligence. It is based on the assumption that an applicant's employment record may indicate he is an excellent workman even though he is a potential wrecker or tool for some outside "master mind."

The technique was devised by two Los Angeles practicing psychologists, Doncaster G. Humm and G. W. Wadsworth, Jr., and is known as the Humm-Wadsworth Temperamental Scale.

• **It's Yes or No**—Under the H-W system, each applicant is asked to mark "Yes" or "No" after 318 printed questions, such as "Do you like to study music?" The questions, copyrighted, bring out answers indicating seven temperament trends that everybody has in some degree, normally in fair balance.

According to the plan's designers, the know-it-all applicant has excess P, paranoid, is strongly fixed in his ideas, stubborn, often convinced the world is against him, bitter about it, can be led into getting even for revenge, is a stirrer

up of others, and often is violent and dangerous. The "slicker" shows excess H, hysteroid, on the watch for something-for-nothing, will sell out if offered money for treachery, and is quite capable of organizing his own project. Selfishness and ruthlessness are his strongest traits.

• **A Murder Case**—The H-W method had its preliminary development 10 years ago after an industrial murder in which the culprit was found definitely insane. Devising a test to show up the job hunter living mentally "on the wrong side of the tracks," the investigators went on and developed a method for detecting plain troublemakers.

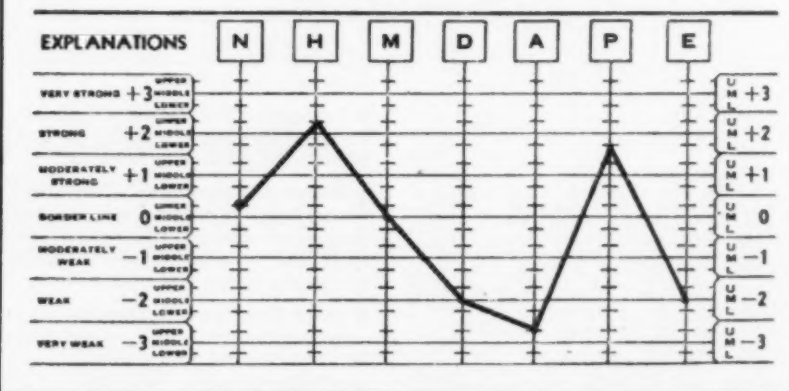
The test merely requires the applicant to sit down by himself and answer the printed questions. In large organizations, results are being plotted by personnel men trained in the method. Smaller employers send the questionnaires to the Humm-Wadsworth headquarters in Los Angeles.

Stores Still Shut

Chain strike is continued in Philadelphia. Butchers agree to terms, but return to work is balked by demands of clerks.

Tired negotiators for three grocery chains sighed with relief last week in Philadelphia when 2,200 striking butchers who had kept 1,500 stores closed ten days agreed to terms. But they sat up sharply when 7,000 clerks announced

THE HUMM-WADSWORTH TEMPERAMENTAL SCALE
EVALUATING PROFILE



On this chart N stands for normal; H for hysteroid (wanting something for nothing); M for manic (irresponsible); D for depressive (unable to concentrate); A for aulistic (daydreaming); P for paranoid (stubborn); and E for epileptoid (showing originality

and meticulousness). The line, with a high H and P, medium N and M, and low D, A, and E, traces the profile of a 24-year-old job seeker who, when he was denied a job, attacked the personnel manager—thus supporting the findings on his personality.

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THE CARS on the New Haven, with their modern air-conditioning plants, double windows sealed against dust, noise and heat, glare-free lighting systems, symbolize the new world of comfort streamlining has brought to low cost day-coach travel.



The Greatest Fleet of Lightweight, Streamlined Chair Cars Owned by a Single Railroad

—THE NEW HAVEN BUILT BY PULLMAN-STANDARD

THE WORLD'S LARGEST BUILDERS OF RAILROAD AND TRANSIT EQUIPMENT



GRILL CARS—excitingly modern in decoration and furnished with Venetian blinds, red leather settees and murals of New England scenes—provide a congenial atmosphere in which to enjoy a snack, a meal, a tall, refreshing glass.

OPPORTUNITIES FOR FUN—recreation—and contacts with interesting people are never lacking... neither is chance to rest. Because the supremely comfortable cars can be individually tilted to relaxing angles or swung around for groups.



A STIRRING chapter in the epic of modern transportation was dictated in 1934 when the progressive *New Haven Railroad* commissioned Pullman-Standard to build 50 streamlined chair cars. Generous in the number of accommodations they provided, it was believed their capacity would meet the newly-created need for this modern type of transportation.

But, from the day they took the rails, public demand for space on these cars began to grow. In 1936, the *New Haven* ordered a second group of 50 units from Pullman-Standard—later that same year another 55 including 5 cafeteria cars—and in 1938 the number was again swelled by the addition of 50 more.

Thus did this great fleet of 205 modern lightweight, streamlined units come into being within the short space of 6 years.

**You have made Pullman-Standard
streamliners gross the highest revenues**

To those of you who have experienced the greatest thrill in present-day travel—the fun of taking a trip on a streamliner—the success typified in the case of the *New Haven* is perfectly logical.

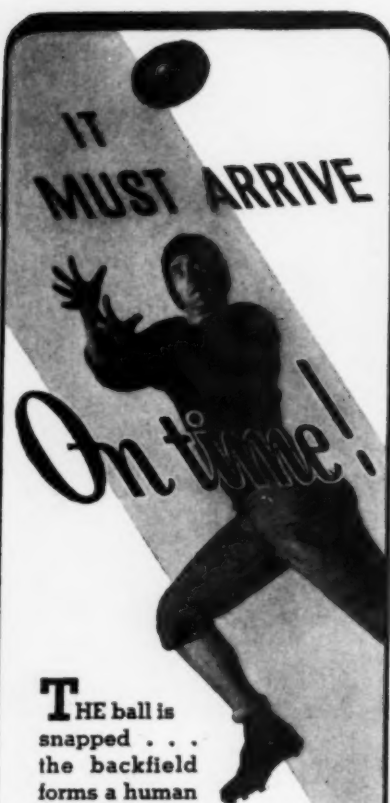
For you know that, by turning even familiar trips into stimulating adventures, the strikingly beautiful cars Pullman-Standard is building for an ever-increasing number of railroads do more than provide a *means* of travel... they supply a *reason* for it. And, if you multiply your enthusiasm by that of millions of other modern travelers like yourself, you will understand how Pullman-Standard streamlined units have been able to establish their proud record of increasing traffic and revenues for railroads from coast to coast and from Canada to Mexico.

In recognition of this, the railroads have purchased over 70% of their new lightweight equipment from Pullman-Standard... the company which introduced lightweight and streamlining to America and established the standards of strength and safety by which all railroad passenger cars are measured regardless of the material employed.

In addition to railroad passenger cars, Pullman-Standard designs and manufactures freight, subway, elevated and street cars, truckless trolleys, air-conditioning systems, chilled tread car wheels and a complete line of car repair parts.

PULLMAN-STANDARD CAR MANUFACTURING COMPANY—CHICAGO
Copyright 1940, by Pullman-Standard Car Manufacturing Company

**"Tops"
IN STREAMLINERS
ARE BUILT BY Pullman-Standard**



THE ball is snapped . . . the backfield forms a human wall of protection as one man fades back with the ball. An "End" is clear . . . running full tilt through the opposing team. Head up, arms outstretched, knees churning high! Toward him the ball comes sailing through the air . . . fast . . . true. It must arrive on time!

In football, such plays are completed only through absolute teamwork. In railroading teamwork is just as necessary! Passengers must, with confidence, plan trips, keep appointments . . . arrive on time!

On your next trip let the Norfolk and Western Railway serve you. Enjoy the safe, comfortable, ultramodern equipment and . . . arrive on time!

NORFOLK and WESTERN
Railway

their refusal to return to work until their own contract was approved. Back again into smoke-fogged hotel rooms went the sagging labor directors of the American Stores Co. and the Great Atlantic & Pacific Tea Co., to haggle with agents of the Retail Clerks' International Protective Association while the stores, most of them super-markets, remained closed.

The chains, despite the granting of all concessions but a 48-hour instead of 51-hour week, found no allies in the butchers, who promptly voted to stay away from their meat blocks until the clerks, who had supported them, were awarded contract terms. The clerks, also supported by thousands of truck drivers and warehousemen, sought wage increases of \$2 to \$5 a week, a 48-hour week, and two-week vacations instead of one.

• **Watchful Waiting**—The clerks, angling for contract advantages since Oct. 1, when old terms expired, had made no move toward concerted action until it leaked from conference rooms that the butchers through their militant action had gained:

- (1) Weekly increases of \$2 for butchers, and \$6 for apprentices.
- (2) A \$35 minimum for store managers.
- (3) A clause protecting jobs of draftees.

The clerks' organization contends the membership is not striking—only refusing to return to work until demands are agreed upon. In the meantime, stores of A. & P. and American remained closed, although Food Fair, Inc., involved in the original butchers' strike, expected to reopen its 33 supermarkets this week end and settle with its clerks before their contract expires Dec. 12.

Coast Bombshell

Employers, groggy over judicial setbacks in California and Oregon, prepare to draw measures for submission to voters.

Pacific Coast employers were still groggy this week from having been set back on their heels twice in the last fortnight by state supreme court decisions favorable to organized labor.

Both the California ruling permitting picketing and boycotting to force the closed shop (BW—Oct19'40,p42) and that of the Oregon court voiding the state's tight anti-picketing law (BW—Oct26'40,p8) resulted in hurried employer conferences this week in San Francisco, Los Angeles, and Portland.

As it became clearer that both decisions leave intrastate employers wide open to closed-shop drives, especially in California, it became more certain also

that in both states legislative measures designed for stricter regulation of union activities will be prepared for submission to voters next year.

• **It Happened in 1938**—California defeated an anti-picketing proposal by referendum in 1938 at the same time that Oregon voters approved the law that was voided last week. The Golden State measure was framed by Los Angeles employer groups and San Franciscans thought it too drastic and vulnerable in the courts. Chances are any new proposal will be more carefully drawn.

Perhaps the group hardest hit by the California decision is agriculture. Anti-picketing laws were the chief weapon used by the Associated Farmers to combat union drives among field workers and canneries. They are reported to have spent more than \$40,000 to put over the Oregon statute. The California ruling has provided the A.F. with a red-hot issue to arouse and reunite the farmers. An A.F. educational drive will culminate in the annual convention in Fresno, Dec. 2, where ways of handling the emergency will be discussed.

Filene Contract

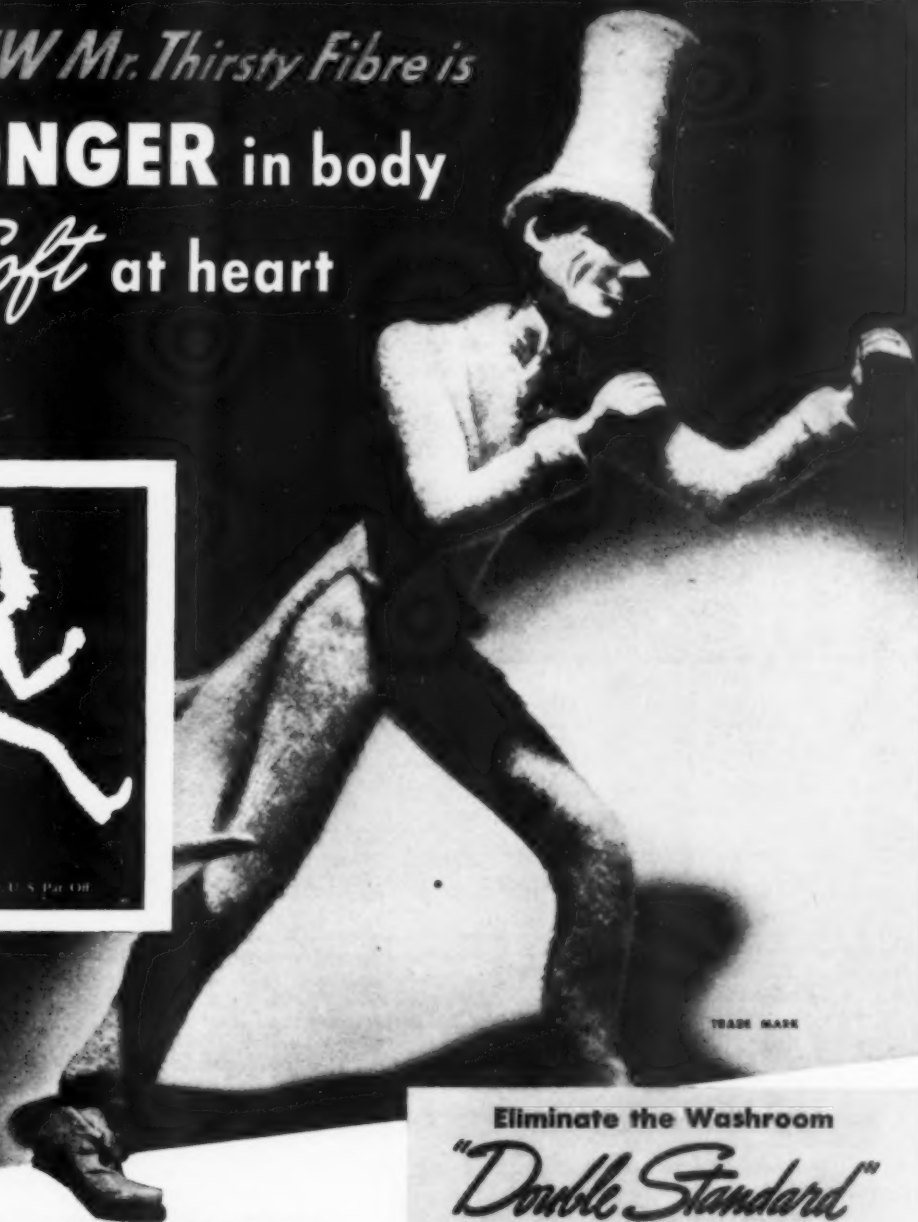
Employees of subsidiary store vote representation by C.I.O., opening possibility of other drives in Boston.

Since 1937, when New England took the starch out of a C.I.O. organizing drive by jailing important Shoe Workers' Union leaders, the new unions have tread softly in the north-eastern states. They have made important gains in New England industry, but their tactics have been the opposite of sensational, their emphasis on caution. In Massachusetts particularly, they have trimmed their strategy to the State's baby Wagner Act, participated in labor polls, shunned picket lines.

One of the most important employers in Boston, enjoying a national reputation for progressive labor policies, is William Filene Sons Co., with its department store enterprises. Feeling that to establish contractual relations with Filene's would furnish an example for other New England retailers, C.I.O.'s United Retail and Wholesale Employees' Union has been whittling away at a Filene subsidiary for two years. Last week the employees of R. H. White Co., wholly owned by Filene's, voted in a state labor board election 430 to 317 to be represented by the C.I.O. Meetings between management and union officials will soon begin with the object of consummating an agreement.

• **Milestones for Both Sides**—Thus, both the Filene labor policy and the

The NEW Mr. Thirsty Fibre is
STRONGER in body
 yet *Soft* at heart



TRADE MARK

AMAZING COMFORT AND ECONOMY IN NEW *Soft-Tuff* ScotTissue TOWELS

FROM the Scott laboratories has come a remarkable tissue towel, achieved by the Scott Duralose process. Called the "Soft-Tuff" ScotTissue Towel, it has kept its famous *softness*, yet is much *stronger* when saturated.

Since each towel can be used *up to saturation*, they go farther, reduce waste. In economy tests, the new "Soft-Tuff" ScotTissue Towels have materially lowered previous ScotTissue Towel consumption.

The use of the new "Soft-Tuff" ScotTissue Towels has increased approximately 40% in a few months. They have been adopted by many great industrial plants, as well as thousands of offices, throughout the world.

Let us demonstrate *to you* their unusual economy and comfort. Scott Paper Co., Chester, Pa.

Copy, 1940, Scott Paper Co. Trade Marks "ScotTissue," "Thirsty Fibre," "Duralose" Reg. U. S. Pat. Office. Trade Mark "Soft-Tuff" Registration applied for.

Eliminate the Washroom

"Double Standard"

IN THE PLANT, workers appreciate these sanitary, individual towels. Since "Soft-Tuff" ScotTissue Towels are much stronger in use, one is enough...waste is cut.

IN THE OFFICE, executives enjoy the soft, pleasant texture of these new towels. They help eliminate lint being left on the face or clothing.



The Scott Washroom Advisory Service will help you arrange washrooms comfortably, hygienically and economically. It will suggest ways to improve traffic conditions, reduce waste and increase employee and customer good will. Write for details. No obligation!

ANNOUNCEMENT



THE PUBLISHERS of the *Annalist* and of *Business Week* announce that, effective with the issue of October 24, the *Annalist*, national weekly journal of finance and business economics, which has been published by The New York Times Company, will be discontinued as a separate publication and merged with *Business Week*, weekly news magazine of business and industrial management.

Arthur Hays Sulzberger, PRESIDENT
The New York Times Company

James H. McGraw, Jr., PRESIDENT
McGraw-Hill Publishing Company, Inc.

THE STAFF of *Business Week* extend a cordial welcome to those *Annalist* subscribers who are not already included among our readers. Very conscious of the high standards that have been maintained by the *Annalist*, we derive a real satisfaction from the knowledge that *Business Week* has been selected to occupy the place so worthily filled by that journal for so many years. It is our hope that these new readers soon will feel as one with that growing company of business executives who find in *Business Week* the answer to their need for a comprehensive and trustworthy service of business news and interpretation.

Willard Chevalier, PUBLISHER



C.I.O. strength in the distributive field reach another milestone.

In 1898, Filene pioneered in the field of labor relations by launching a company union to work out with employees plans for group health, profit sharing, social and recreational activities, and later a credit union and wage standards. In 1937, with the passage of Massachusetts' Labor Relations Act, the Filene Co-operative Association became an independent union and signed an agreement with the company. The agreement provided for a limited closed shop, check-off of union dues (scaled to earnings with a 30¢ weekly maximum) and established a salary minimum of \$15 a week, exclusive of commission, for sales-people and a \$14 minimum for non-selling employees. It was this agreement that the C.I.O. had to circumvent if they were to organize R. H. White and Filene's.

• **Issues Pressed by C.I.O.**—The C.I.O.'s campaign was built around demands for higher wages, strict seniority, greater job security, retention of all existing benefits and privileges, and industrial peace, which, it was maintained, was threatened as long as Filene's did not deal with a "bona-fide" union.

In last week's election the independent union did not appear on the ballot. C.I.O.'s contest was with the A.F.L. All that remains of the independent organization is its contract, which expires Nov. 15. If the U.R.W.E. can get a favorable contract from R. H. White, it will be a spur to the unionization of Boston's four other large department stores.

AND TWO IF BY SEA—

When International Harvester Co. built its East Moline works in 1936, it prudently set the buildings in a large tract, so far back from the street that no union sound truck could hope to do itself any good. Sure enough, this foiled the Farm Equipment Workers' Organizing Committee, but only temporarily. Repulsed by land, the F.E.W.O.C. organizers took to the waves. The committee rented a boat, equipped it with loudspeaker, and did its talking from the navigable waters of the Mississippi, a short distance offshore from the International Harvester plant.

SABOTAGE SAFEGUARDS

Prodded by the Federal Bureau of Investigation, various municipalities, including Duluth, Minn., Newark, Chicago, New York City, and Philadelphia, are launching plans for protecting vulnerable industrial sites against sabotage. Connecticut has police heads from eight counties now surveying all manufacturing plants, public-service companies, gasoline-storage places, and other "vital" points.

"It certainly pays to Fly!"



Says E. L. OLRICH, President of Munsingwear, Inc., Minneapolis, Minn.



This endorsement given without compensation

"Through the use of Air Travel Munsingwear sales executives add many effective selling days to each month. Territories all over the country are covered quickly and comfortably, and appointments made and kept which would not be possible otherwise.

"Our men find that they arrive at their destination refreshed, without the fatigue usually attending long trips, and all this without any increase over normal travel costs. For these same reasons I do most of my traveling by air.

"It certainly pays to fly!"

AIR TRAVEL IS NOT EXPENSIVE

Many companies are saving thousands of dollars in salaries and expenses every year by flying their men. For flying saves hours, days, and even weeks of productive time, depending on the length of the trip.

Men who fly cover their territories quickly and efficiently—with an absolute minimum of travel fatigue. And they spend less time away from the office which means less travel expense.

Why not phone your local Airline office today and have a representative call and explain how you, too, can save time and money by flying your men.

You'll find Air Travel surprisingly inexpensive.

AIR TRANSPORT ASSOCIATION
135 South La Salle Street, Chicago, Illinois

This educational campaign is sponsored jointly by the 17 major Airlines of the United States and Canada, and Manufacturers and Suppliers to the Air Transport Industry

FLY

IT PAYS TO

ASK YOUR TRAVEL AGENT: It's easy to buy an air ticket to any place in the United States or the world. Simply phone or call at any Travel Bureau, Hotel Transportation Desk, Telegraph office or local Airline office, for airline schedules and fares.

HOW G. E. TRAINS APPRENTICES



General Electric's apprentice crop varies with business; this year it totals 200. For 20 months, boys spend six hours a week in a public technical school. After two years, school work is optional; 90% of the apprentices continue.



Each apprentice elects his own craft, but G.E. starts by training them all as machinists. Apprenticeship begins with a notebook for school, a toolbox for the shop. After a three months' tryout, the boy signs an indenture.



Simple lathe, shaper, and drill-press work introduces the shop curriculum. In his sixth week, the apprentice gets the hang of a metal band saw. G.E. launched apprentice training in 1901; now it has 830 boys in training.



In their second six months of the four-year program, apprentices learn how to set a cutting tool. All of them start at 40¢ an hour, get a 2¢ raise every six months, until, in their final half-year, they are earning 60¢ an hour.

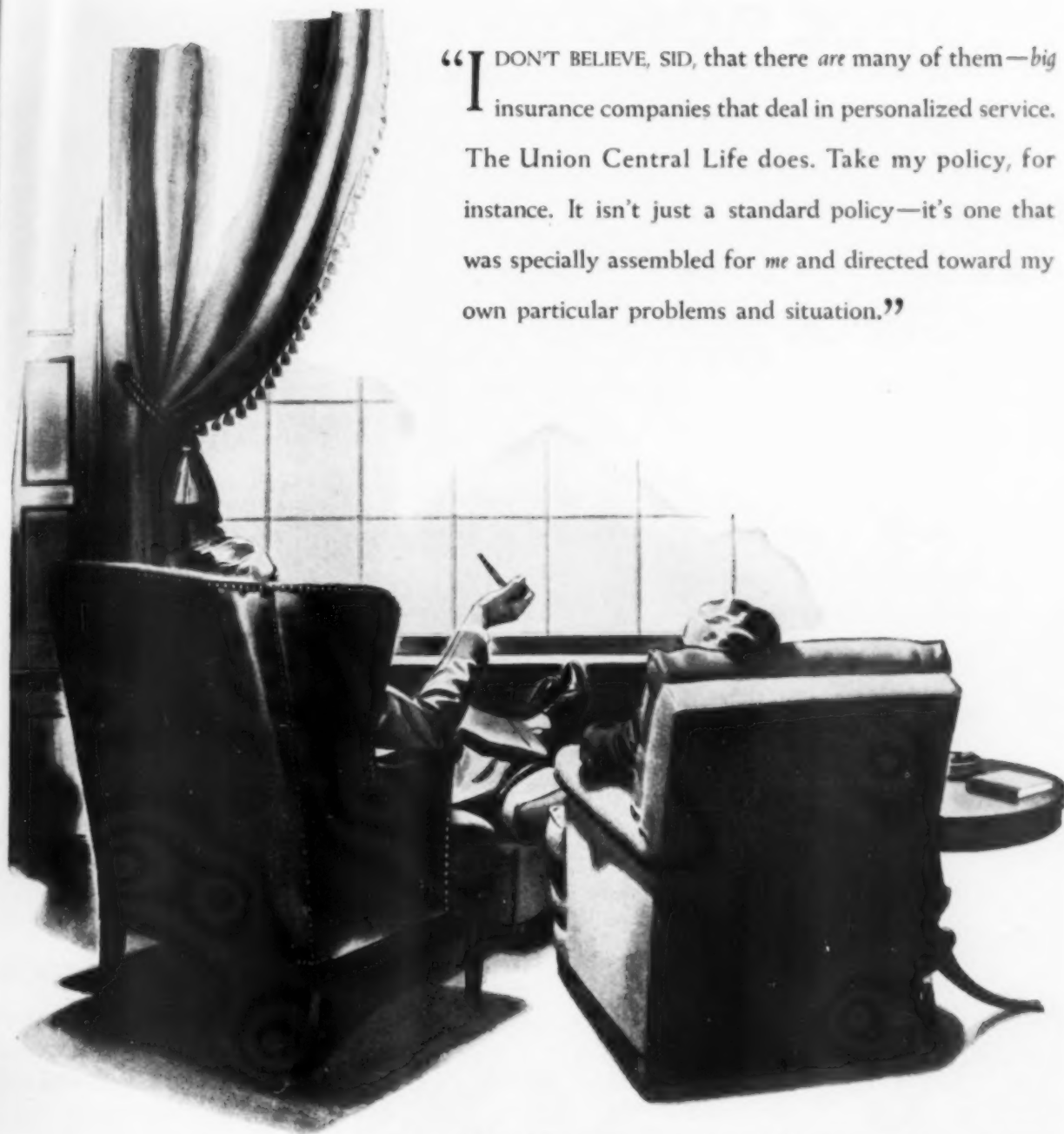


The jobs that apprentices work on duplicate exactly journeyman jobs in G.E.'s shops. Accuracy is demanded. G.E. selects apprentices by rigorous standards, sometimes transfers unskilled employees to apprentice training.



Checking his last job with the instructor, an apprentice qualifies for journeyman status after four years of 40-hour weeks. G.E. finds that 80%-90% of its graduates stay in the company's employ for ten years or more.

"I DON'T BELIEVE, SID, that there *are* many of them—*big* insurance companies that deal in personalized service. The Union Central Life does. Take my policy, for instance. It isn't just a standard policy—it's one that was specially assembled for *me* and directed toward my own particular problems and situation."



★ Union Central Life offers substantial life insurance buyers the type of specialized thought that their complex insurance problems demand. Union Central was the first company ever to issue a loose-leaf, assembled policy—a policy which can include many different combinations of features, and thus can be made to "custom-fit" your specific personal needs. A Union Central representative will gladly give you additional pertinent facts. Address Department F-3.

THE UNION CENTRAL LIFE INSURANCE COMPANY • CINCINNATI, OHIO

A \$400,000,000 Institution Founded in 1867

Copyright 1940 by The Union Central Life Insurance Co.

PRODUCTION

Blackout Light

Fluorescent paint used in England is demonstrated in New York. Glow achieved with ultra-violet radiation.

One hundred industrial inspectors of New York State's Department of Labor saw for themselves last week how "black light" (invisible ultra-violet radiation) makes it possible for factory and office workers to find their way to shelter and safety during sudden blackouts.

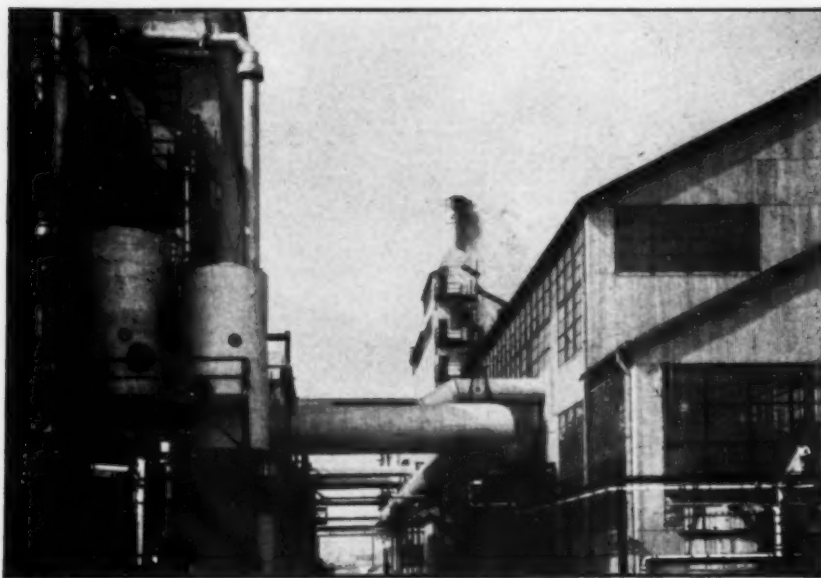
The stage was set in the Electric & Gas Association auditorium (New York). Suddenly all the lights went out, but certain objects, which had been scattered about the stage to simulate walls, passage ways, parts of machines, and stripes on the floor itself, continued to glow with a light which could be easily followed by the most near-sighted worker.

O. P. Cleaver, Westinghouse illuminating engineer, then went on to explain that the glow was produced by fluorescent paints which were being activated

into brightness by concealed lamps giving forth black light.

• **Tryout in Britain**—In England, where such safety light is tragically necessary rather than theoretically desirable, they are even extending the black light-fluorescent paint technique beyond the aisles and passageways of factories to the great London railway stations—King's Cross, Waterloo, Euston, Paddington—and to the main stations in such British cities as Sheffield, Manchester, Coventry, and Glasgow. At Paddington, for instance, the great 30x16-ft. indicator board has been made thoroughly visible during blackouts by painting the 8,000 letters and figures indicating train arrivals and departures, and the clock face, with fluorescent paint.

Cooperating with the railways, General Electric Co., Ltd., of London, has adapted its 125-watt "Osira" black light lamps to the illumination of the boards by means of wide-angle dispersive reflectors. Incidentally, the same technique is being used by up-and-coming British advertisers in posters and window displays which will appeal to buyers without attracting the attention of night-flying enemy airmen.



MAMMOTH PHENOL PLANT

Huge fractionating columns and synthesizing units are joined with forty miles of piping (three miles are glass, porcelain, or rubber for acid resistance) to form the mammoth new phenol (carbolic acid) plant of Durez Plastics & Chemicals, Inc., at North Tonawanda, N. Y. There the impor-

tant ingredient of Durez and other plastics is being synthesized for the first time commercially from benzene, by a new process so technically complex that only a chemical engineer can understand it. The original production schedule, which called for a capacity of 40,000 lb. of highest grade phenol per 24 hours, is already being exceeded in each day's run.



RHUMBATRON, 1941 MODEL

Nicknamed the "rhumbatron," for its ability to make electrons dance to its bidding (BW—Feb 11 '39, p30), the Klystron is gradually approaching commercialization under the joint development of Sperry Gyroscope Co. and Westinghouse Electric & Mfg. Co. Object of the electronic device is not only to produce high-power short radio waves (down to 50 centimeters and less), but to direct them like a searchlight. Hoped-for applications include communications, "blind-landing" devices for airplanes, and possibly wireless transmission of power. Recently unwired lights were made to shine at distances of several feet.

Metals on Parade

Attendance at exposition is good; big orders reported placed by industrialists who rush back to their production tasks.

Against a backdrop of national-defense applications, several hundred exhibitors of materials, welding and heat-treating equipment, machinery, and tools vividly portrayed the potency of industrial America at the National Metal Exposition last week. Unusually heavy crowds were drawn to Cleveland for the event, but the top-ranking visitors rapidly reviewed the progress depicted, then hurried home to continue the task of maintaining production at top speed. Even so, large orders for materials, and especially new types of equipment, were reported.

• **Few New Materials**—Exhibitors of materials refrained from introducing many new alloys at the show, holding



THE aircraft industry depends on high speed hydraulic presses to feed a steady supply of parts to the assembly floor. Southwark Hyspeed Presses maintain high production rates and prolong the life of the dies. The time required for changing dies and setting-up has been sharply reduced. Delays caused by breakage of dies and press members are gone. Pressed pieces hold their shape—spring-back is out.

In the last two years 38 Southwark presses with

a total capacity of 39,900 tons have taken their places on aircraft production lines.

Southwark builds a complete line of modern hydraulic presses for every phase of metal forming. Soundly engineered, carefully built, Southwark Hydraulic Presses can help you do a better job—more economically.

Baldwin Southwark Division of The Baldwin Locomotive Works, Philadelphia; Pacific Coast Representative, The Pelton Water Wheel Company, San Francisco.

THE BALDWIN GROUP

P H I L A D E L P H I A



THE BALDWIN LOCOMOTIVE WORKS • BALDWIN SOUTHWARK DIVISION
STANDARD STEEL WORKS DIVISION • THE PELTON WATER WHEEL COMPANY
BALDWIN DE LA VERGNE SALES CORP. • THE WHITCOMB LOCOMOTIVE COMPANY
THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES COMPANY



FASTER SCREWDRIVING

Independent Pneumatic Tool Co., 260 S. Jefferson St., Chicago, last week showed engineers and production men a new method of handling screws which it claimed was the most significant improvement in assembly-line technique since portable power tools became standard equipment. It uses two simple new devices. The first, called an Adjusto-Tray, is a longitudinally-slotted tray, spring-mounted at the corners. When screws are dumped on it and shaken, they leap into neat rows, heads up (left, above). The second device is called a Pix-Up Finder—a three-jawed gripper attached to the business end of a power screwdriver, just below where the edge of the blade rests when the tool is not rotating. When the finder is placed over a screwhead on the tray, and pressed



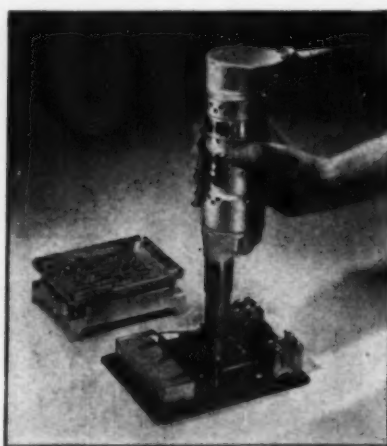
that now is no time to tie up metallurgists and engineers in working out applications with customers. Further, producers have all the business they can handle for standard lines.

In the ferrous group, Otis Steel in-



lightly (right, above), the tray depresses just enough to send the screwhead into the jaws which grip it (left, below). The operator then has the screw, point down, fixed in the end of his power tool. He puts it in the screw-hole (right, below), and drives the screw exactly as if it had been set by hand. Instead of using a dozen fumbling motions, though, he does the whole job in two motions.

A radio plant, which has been using this device for several months, finds that operators drive three to nine times as many screws as before, and are less tired at quitting time. Experimental installations have shown savings in the same range of ratios on clocks, auto parts, refrigerators, and unit heaters. The smaller the screw, the bigger the saving. Trays and pick-up attachments come in sizes to handle screws No. 3 through No. 8.



roduced "Otiscoloy," a low-alloy high-tensile steel described as having unusual welding properties in fabrication of railroad cars, automobile frames, and gun carriages. Ability of the steel to take a high polish presupposes its use

for plastic molds, an application that normally requires a more expensive material.

Much talked about at the show was "Kirk-site A," a zinc-base material developed by National Lead for dies used in the aircraft industry. Kirk-site-made thin-gage aluminum and stainless steel stampings for aviation gas tanks, window moldings for the bombardier's compartment, and exhaust stacks were shown, along with the tools. Two or three thousand stampings can be produced per set of the dies, which are then remelted and recast into new dies at a cost of a few cents per pound.

• **Low-Amperage Welding**—Flame-cutting of armor plate, several pieces at a time, was featured by makers of gas welding equipment. Electrical welding was featured in the assembly of aluminum and stainless steel aircraft parts. All makers attempt to reduce the number of amperes drawn during the welding cycle, in order to avoid overloading factory power lines and sub-station equipment. It is apparent that no agreement has yet been reached as to the best method of spotwelding aluminum alloys, a process which is vital in plane production as now constituted.

CASTOR BEAN CROP

Brownsville, Tex., reports a new industry. According to the Chamber of Commerce, the first of 300 farmers growing castor beans in the Rio Grande Valley has delivered 15,750 lb. of the versatile crop to the new local shelling and packing plant of Woburn Industries. From that quantity will be recovered about 11,000 lb. of shelled beans, worth \$291.50 at \$53 per ton.

Present intention is to confine plant activities to shelling, packing, and shipping to new markets opening up through the discovery of Sherwin-Williams Co. and other big paint manufacturers that castor oil, suitably processed, is not only a medicine and a machinery lubricant, but an excellent substitute for tung and other foreign-grown oils used in varnishes. Future intention is to press oil and to produce insecticides, fertilizer, "newsprint, wrapping paper, fruit and vegetable containers," plus pure cellulose from the husks and "leavings," to compete with cellulose for rayon now derived from cotton linters and wood.

S.P.I. EXPANDS

Recently the Society of the Plastics Industry (constituting leading manufacturers and fabricators of the ubiquitous material) decided to open up its membership to top manufacturers of molding presses. At the same time, S.P.I. announced the opening of new offices at 295 Madison Ave., New York, which will be a "reliable source of authoritative information on plastics."

Net profit on salesmen is *greater* when they drive **STUDEBAKER CHAMPIONS** *Leading Fleet Operators Saving 10% to 25% on Gas*



HERE'S a matter of simple arithmetic. Savings that individual owners of Studebaker Champions enjoy are of course multiplied many times over for fleet operators.

And these savings are very substantial. Just consider the fact that every Champion saves 10% to 25% on gas alone over other large-selling lowest price cars.

Extra Dividends

Then count definitely on cutting costs for oil, tires and mechanical upkeep when you operate Champions. For thousands of America's leading fleet operators, Studebaker Champions are like extra dividends—the more Champions in a fleet, the greater the savings.

And praise is not confined to the Champion's economy. Equally enthusiastic are salesmen's reports on restful riding, easy handling and prestige-building appearance.

New Champion is Bigger

Especially are all these things true of the new, longer, wider, lower, roomier 1941 Champion. See this sleek, slip-stream styled new Champion with

its advanced torpedo body and strato-liner interior. It's engineered to equal or excel every Champion economy record.

Put a new 1941 Studebaker Champion to an "in your service" test. There's no obligation. Your local Studebaker dealer will give you top allowance on any or all of your present cars. Easy C.I.T. terms if desired.



29.19 miles per gallon—officially! That's the record a stock Studebaker Champion made with low-extra-cost overdrive in the 1940 Gilmore-Yosemite Sweepstakes. In that official contest, it showed a 17% to 19% superiority in gas-saving over all the other largest selling lowest price cars.



New model Champion Coupe has full width rear seat—If your salesmen find it necessary to transport prospects, factory service men, demonstrators, etc., on their calls, the type of Studebaker Champion Coupe to order is the new 5-passenger model that's pictured above. It costs only slightly more than standard model.



**WON'T DISSOLVE IN
PETROLEUM DERIVATIVES**

The New Low-Cost Resin

VINSOL*

**IS A VALUABLE INGREDIENT FOR
SPECIAL PROTECTIVE COATINGS**

**Vinsol also has
wide application
for making:**

Shellac substitutes	Hard pressed board
Asphalt emulsions	Adhesives
Cement plasticisers	Impregnated paper
and grinding aids	products
Extenders for	Laminating varnish
phenolic resins	Coldmolded plastics
Paints	Motor windings
Varnishes	Transformers
Stains	High voltage in-
Nitrocellulose lacquer	sulation

**SOME IMPORTANT
PROPERTIES OF
VINSOL:**

Insoluble in petroleum derivatives—Chemists know how unusual and important this is in protective coatings, plastics, and other products.

Excellent electrical characteristics—At 85°C., breakdown is above 20,000 volts; power factor ranges from 0.5% at 25°C., to 15.2% at 103°C.; dielectric constant from 2.81% to 6.5%.

Available in pulverized form—60% passes a 200-mesh screen; 100% passes 30-mesh. Does not set or cake under normal temperature and humidity.

Easily esterified—With glycerin, ethylene glycol, diethylene glycol, etc., Vinsol yields resins of value in lacquers and varnishes.

Easily saponified—Produces emulsions of extreme stability—valuable in asphalt emulsions.

Other important properties—Dark-colored; dark red by transmitted light; chemically and physically stable; melts at about 115°C.; acid number, 93.

FREE SAMPLE OFFER:

tell us on this coupon how much Vinsol Resin you will need for a trial.

Naval Stores Department
HERCULES POWDER COMPANY
INCORPORATED
928H Market St., Wilmington, Del.
We need.....pounds of Vinsol
for testing.
Send me a descriptive booklet ☐

Name.....
Firm.....
Address.....
*Reg. U. S. Pat. Off. by Hercules Powder Company

NEW PRODUCTS

Desks from Standard Parts

If you look closely at the picture of the Convertible Desk (executive type), you will see that the top of the table behind it is identical, but on a different base. Studebaker Corp., South Bend, Ind., has taken a leaf from its automo-



tive experience and developed desk interchangeability to an extent that from an assortment of one desk base, one table base, several kinds of drawers and tops, anyone can put together quickly eleven different types of business furniture from stenographer's desks to executive's. Studebaker will neither manufacture nor sell them. First desk builder to be licensed is Stow-Davis Furniture Co., Grand Rapids, Mich.

Wall Radio

For those who consider a radio as a utility rather than as an article of furniture, Flush Wall Radio Co., 57 State St., Newark, N. J., is bringing out the new Flush Wall Radio for installation in, not on, any wall thicker than 3½ in. No wiring is visible. The front panel measures 8½ x 11½ in. and may be obtained in practically any color.

Micro Bench Tools

Three new bench tools—the Micro Shear, Brake (metal folder) and Die Duplicating Bender—make possible the precision duplication of more or less complicated metal parts. As developed by O'Neil-Irwin Mfg. Co., 316 8th Ave. S., Minneapolis, the shear and brake both handle metal up to 6 in. wide; the bender handles small rods, flats, angles, channels, round or square tubes, and round, square, half-round, or flat wire.

Water Clarifier

To provide water of extraordinary clearness for many purposes, but notably for bottled beverages, Webb Mfg. Co., 1813 Baltimore Ave., Kansas City, Mo., is ready with the new Webb Finishing Filter with capacities from 500 to 1,500 gal. per hr. The filtering medium is

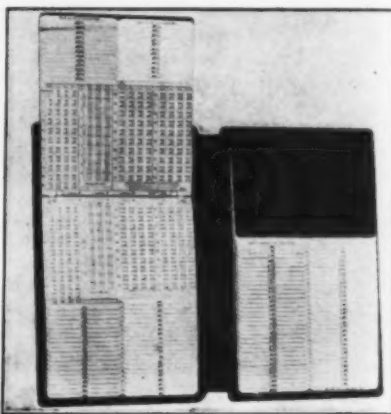
replaceable silver-impregnated cotton which has the double purpose of clarifying and of killing off stray bacteria.

Versatile Voltage Tester

A compact cylindrical case and two rubber-covered lead wires (fitted with sharp points for piercing wire insulation and hooks for uninsulated wiring) constitute the portable new Square D No. 5000 Voltage Tester for determining the voltage of any circuit from 110 to 550 a-c, and 125 to 600 d-c. Square D Co., Detroit, makes it.

Payroll Expediter

On Oct. 24, the preparation of payrolls under the Wage-Hour law became somewhat more complex, but Acme Visible Records, Inc., 122 S. Michigan Blvd., Chicago, had already done all the figuring of weekly wages based on hourly



rates. Its new Acme Pay Calculator carries various computations of hours, rates (30¢ to \$2 per hour), and overtime on stout cards in a compact visible index. Flip a card and read the answer.

Quick Charger

Any run-down automobile battery, in otherwise good condition, can be given a substantial recharge in 30 minutes with the G-E Fast-Charger, new product of General Electric Co., Bridgeport, Conn. For a full charge, a few more minutes.

New du Pont Developments

From the Electroplating Division of E. I. du Pont de Nemours & Co., Wilmington, Del., comes word of the immediate availability of new High Speed Brass Salts which promise to speed up brass plating by two to four times. Not yet available, but coming from another division, is patented Nylon Photo Film and Nylon Wool made of the same basic material used in hosiery, tooth

brushes, etc. Tests on wool and film indicate high flexibility, strength, durability, and resistance to temperature and weather changes.

Photo Washer

To wash all hypo out of prints or films, dunk them in the Bakelite tray of the Photrix Print Washer, new



product of Intercontinental Marketing Corp., 8 W. 40th St., New York. Fourteen jets of water give constant circulation.

Sketch Transmitter

Practically everyone is familiar with the electric TelAutograph made by TelAutograph Corp., 16 W. 61st St., New York, which transmits hand-written orders instantaneously from one point to another in hotels, railway terminals, and many other business organizations. Most recent development is the new Model G TelAutograph which will transmit engineering sketches and figures as well as writing to one or more receiving stations.

Telephone Shusher

What with all the secrecy made necessary by defense work, the new Silent-fone comes at a propitious moment to



keep telephone conversations away from eavesdroppers. As made by Telephone Devices Co., 10 E. 43rd St., New York, the plastic silencer clips easily to any handset and does not interfere with hanging it up.



Barsope dispenser is a fine example of styling in Durez. Unit won honorable mention in the Annual Modern Plastics Competition.

If it's in DUREZ... it's in Style!

HUNDREDS of manufacturers have chosen Durez plastics for the versatility they bring to design. Products as far apart as the poles in form and usage have been created or given greater utility through the medium of these adaptable phenolics.

But versatility is only *part* of the story. Style, too, is an important factor wherever Durez plastics are used.

With these modern compounds you can give any product more

life and sparkle in form, color and finish. Design limitations are practically nil. Your choice of color ranges from vivid hues to subtle grained effects. Surface effects can be produced in endless variety.

If you are thinking of making a new product or modernizing an old one, it will pay you to consider the advantages of styling it in Durez. For more information and suggestions just write—

DUREZ PLASTICS & CHEMICALS, INC.
651 Welch Road, N. Tonawanda, N. Y.



The lustrous Durez housing of the Numechron clock performs the double duty of pleasing the eye and protecting the fine mechanism.



The new Malco hearing aid is a splendid example of the increasing use of Durez plastics to give precision instruments increased eye-appeal.

DUREZ PLASTICS & CHEMICALS, INC.

Plastics That Fit The Job

FOCAL POINT for Fall Interpretations



To men of prominence throughout the world, the House of BELL has been headquarters for distinguished style correctness and tailoring craftsmanship.

As one who appreciates fine fabrics, you will delight in our complete display.

James W. Bell & Co.
INCORPORATED
322 FIFTH AVENUE, NEW YORK

TAILORS FOR GENTLEMEN

NEXT STOP ST. LOUIS!

AND MY STOP IS HOTEL Mayfair!
TOPS IN FOOD & SERVICE - AND RIGHT DOWNTOWN



FOR SALE

★ \$396,000 building, steel and concrete — modern design

★ 109,000 sq.ft. on one floor

★ 10 acres and trackage

Located in Mid-Western city of 25,000 population. Extremely low taxes. Ideal labor conditions.

\$75,000

Address
BO-297
BUSINESS WEEK
320 North Michigan Ave.
Chicago, Illinois

FINANCE

Bond Boomerang

Competitive bidding narrows spread so much that power issue is split among big investors, to the loss of hundreds of dealers.

Competitive bidding in the underwriting of new bond issues—long anathema to most of the investment banking fraternity—boomeranged in a big way last week. When the pieces had been picked up it turned out that a private sale had been forced, hundreds of dealers had lost a chance to make a little money, and a handful of large institutions rather than the rank-and-file investors had the bonds in their portfolios.

Here is what happened. A group of 19 underwriters headed by Mellon Securities Corp. of Pittsburgh had completed all arrangements to offer \$16,500,000 of 3½% bonds for the San Antonio Public Service Co. and had taken the business to the Securities and Exchange Commission for registration. They were to pay the utility 105½ and market the bonds at 107. At the last minute, Otis & Co. stepped in and offered San Antonio Public Service a price of 107. After consultation, Mellon met the bid, but had to reshape completely the plan for public flotation.

• **Splitup Necessary**—Figuring that a price of 107½ was all the market would

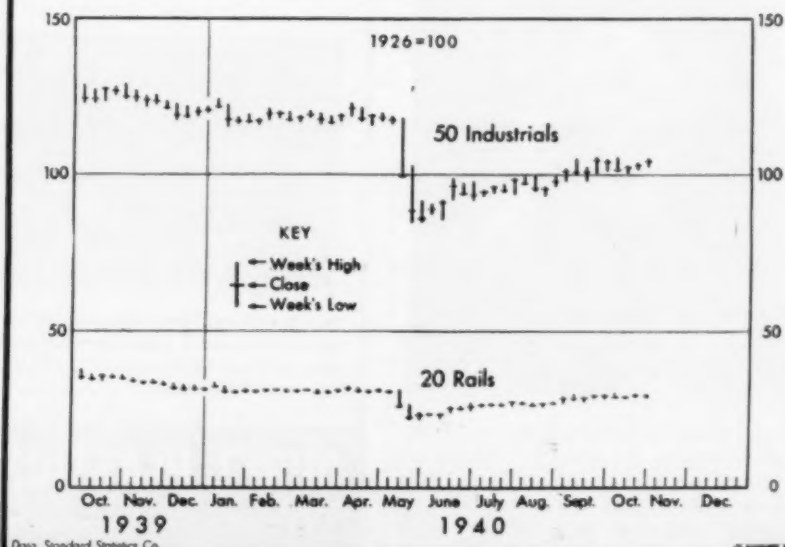
carry, it becomes obvious that widespread distribution could not be undertaken on a half-point spread. The 19 members in the group joined to underwrite the risk, and Mellon Securities did the selling. Under the circumstances it was necessary to split the issue up into a few big pieces and give these blocks to the insurance companies.

This piece of business epitomizes everything that critics have opposed in the competitive bidding idea. The bonds had to be sold to a few big investors instead of being offered to the hundreds of investors complaining over inability to find high-grade investment outlets for their idle funds. The issuing company lost whatever prestige and advertising is to be derived from widespread distribution and stock-exchange listing for securities. And the dealers—long touted by the underwriters and the SEC alike as the men who have to keep regional capital markets healthy—lost a chance at one of the profits so vital if they are to keep their doors open.

• **The Issuers' View**—It is quite true that the issuing company received for its bonds \$250,000 more than it had expected under the original contract. But, if this is carried to its logical conclusion, such profits for issuers would disappear at least in part.

Suppose XYZ Corp. wants to sell bonds. The officers invite in a group of underwriters. The bankers may spend weeks and even months preparing the indenture, checking legal details, sounding out prospective investors on what

COMMON STOCKS—A WEEKLY RECORD



THE MARKETS

Big Steel's \$3.07 a Share

On Tuesday of this week United States Steel common was the most active stock on the New York Stock Exchange. Of course activity in Big Steel isn't strictly unusual, but on this occasion there was exceptionally good reason for it. Directors were to meet after the close of the market and make public earnings for the third quarter and to act on dividends.

The financial press had predicted that third-quarter earnings would exceed \$2.50 a share on U. S. Steel's common stock. As it turned out the prognosticators erred on the side of conservatism. The quarter's net income—even after taxes totaling more than \$30,000,000—came to \$33,103,067, equivalent to \$3.07 a share on the common stock after allowing for preferred dividends.

These figures top anything the corporation has reported for any quarter in the last 10 years excepting the second quarter of 1937 when net exceeded \$36,000,000. If it had not been that the September quarter was obliged to absorb some of the taxes applicable to the first six months of the year, the third quarter of 1940 apparently would have been the most profitable for the company since 1929. Net after all charges but before federal taxes came to \$44,656,416. While there is no exactly comparable figure available for 1937's peak quarter, it probably was not more than \$43,000,000.

For the nine months ended Sept. 30, Big Steel earned a total of \$69,418,070 after paying local, state, and federal taxes coming to nearly \$63,-

000,000. This is equivalent to \$5.80 a share on the common stock after allowance for preferred dividend requirements, and it is so healthy a figure that it prompted directors to vote another dividend of \$1 a share.

When this dividend is paid on Dec. 20 it will mark the third payment of \$1 a share on Steel common during 1940. Aside from the single dividend of \$1 paid in 1937, these are the only disbursements received by common stockholders since early in the depression. Small wonder, then, that the common stock of U. S. Steel was the focus of interest on the stock exchange on Tuesday. It rose three-quarters of a point to bellwether a modest market rise that day, and it also was prominent on Wednesday with a further advance of $\frac{1}{8}$. Bethlehem took the spotlight during the latter part of the week because its directors met on Thursday.

Movements of these two stocks have been pretty typical of a steel group which has been doing substantially better than the market as a whole for some time (BW—Oct26'40,p60).

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
50 Industrials	104.5	103.2	104.3	124.6
20 Rails	29.2	29.4	29.5	34.6
20 Utilities	60.6	59.7	60.0	69.6
Bonds				
20 Industrials	89.7	89.6	88.7	87.1
20 Rails	60.1	60.8	61.4	60.8
20 Utilities	100.5	100.7	100.5	101.4
U. S. Governments	109.0	108.9	108.8	104.8

Data: Standard Statistics except for government bonds which are from the Federal Reserve Bank of New York.

kind of securities they want. Then, just when everything is all set, a competitor, who doesn't have to shoulder any of this preliminary expense, steps in. The latter can, of course, pay a higher price for the bonds.

But, if this happens very often, the issuing company will be required to shoulder all the expenses of preparation and the competitive groups will come in on even terms.

• **It Happened Before**—This isn't the first time Otis & Co. has upset the apple cart. This Cleveland house has been an ardent advocate of competitive bidding and has jumped in on a number of deals such as a couple of railway terminal issues and several public utilities. Usually, however, Otis has been backed by the ample underwriting capital of Chicago's Halsey, Stuart & Co.

This time, however, Halsey Stuart was in the Mellon group. Hence it appears that Otis was going it alone—or with an undisclosed backer, because Wall Street is convinced the Cleveland

house hasn't the kind of capital it takes to underwrite an issue of \$16,500,000. Moreover, Wall Street figures that Otis, if it had been successful, would have turned around and sold the bonds privately just as the Mellon group did. And "the Street" just can't be reconciled to the idea of private placements.

MULTIPLE-TRADING FIGHT

Some rules, like safety pins or parachutes, may never be needed or used—but they are handy to have around just in case.

For many years the New York Stock Exchange has had a rule to prohibit members from "making" markets in so-called Big Board stocks on outside exchanges. Finally it decided to enforce this ban (BW—Jul20'40,p50), and many of the smaller markets yelled murder.

In response, the Securities and Exchange Commission last week "requested" that the New York exchange rescind its multiple-trading rule on the

PRODUCTION GOES UP
COSTS GO DOWN

WHEN LANE-WELLS
GUN PERFORATES
AN OIL WELL . . .



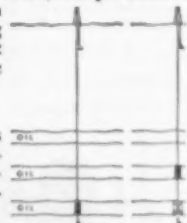
PERFORATING oil well casing two miles or more below the surface was just a dream a few short years ago when Lane-Wells tackled the problem. A gun had to be designed that was

small enough to fit inside pipe yet powerful enough to penetrate three strings of heavy casing. Accurate measuring devices had to be built to place each shot with deadly accuracy. Controls perfected to fire individual charges.

How well Lane-Wells has succeeded in boosting oil well production and reducing completion and production costs is proved by the fact that more than 29,000 oil wells have been Gun Perforated by Lane-Wells since 1933.

Operators today drill, and cement casing straight through all producing zones. They Gun Perforate the lowest zone and, after production has been exhausted, run a Lane-Wells Bridging Plug, perforate the next upper zone and continue to produce the well.

The story of Lane-Wells Technical Oil Field Services is available in bulletin form. Write Lane-Wells, Los Angeles.



TOMORROW'S TOOLS TODAY

LANE WELLS
COMPANY
Everywhere

*This announcement is neither an offer to sell, nor a solicitation of offers to buy, any of these shares.
The offering is made only by the Prospectus.*

New Issue

50,000 Shares

American Airlines, Inc.

\$4.25 Cumulative Convertible Preferred Stock
(Without Par Value)

Price \$105 per share
and accrued dividends

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in Securities and in which the Prospectus may legally be distributed.

Emanuel & Co. Kidder, Peabody & Co. Lehman Brothers

October 30, 1940

YOUR MEN
deserve THIS
HUSKY HELPER
- YOUR BUSINESS
needs IT!

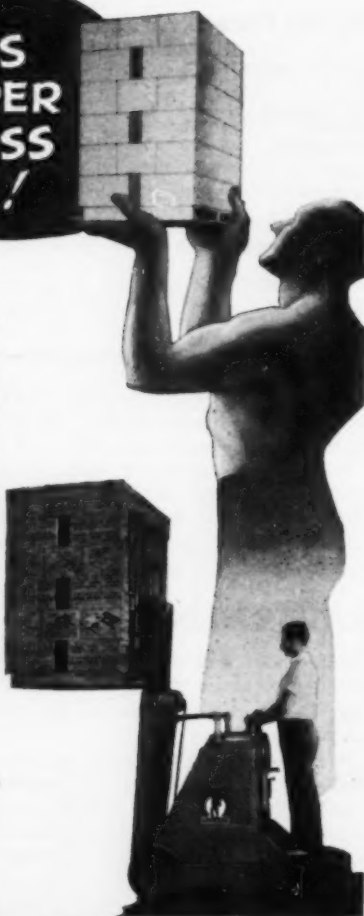
Handling loads in units of one ton or less is more economical and MOBILIFT does the job 3 to 4 times cheaper than older methods, doubles or triples usable storage space, greatly improves working conditions. Low cost—prices begin a little over \$1000. Light weight—around 2600 lbs. Thrifty operation—less than 15c an hour. Forks lift loads 9 ft. Works in narrow aisles and inside cars and trucks.

Let a MOBILIFT engineer analyze your materials handling problem. Write for name of nearest dealer today.



Vaughan Motor Co.
853 S. E. Main
Portland, Oregon
U. S. A.

MOBILIFT



ground that enforcement would endanger the future of the regional exchanges and would impinge upon the welfare of the investing public.

Some outside markets aren't too grateful to the SEC for its protective custody. Chicago, for instance, says the appointment of new specialists as a result of the New York rule has been beneficial. The Big Board's governors, at their meeting on Nov. 13, are scheduled to decide on their course of action.

FAIR BONDS PUZZLE TRADERS

A record crowd watched the New York World's Fair die a martyr's death of radiant glory. But bondholders still aren't sure just where they stand as to disposal of the estate.

When the Fair management announced that the final payment on principal would be about 18.8% (19.6% has been paid), price of the bonds climbed to 19. The Fair announced that no more interest would be paid. Yet the bonds continue to be traded with interest, a fact which has attracted their purchase by many who believe that they will receive interest as usual as well as the 18.8% on principal.

The New York Security Dealers Association believes that buyers of the bonds would continue to be charged interest to date of purchase, because the bonds have not yet defaulted on either interest or principal.

Thus, a buyer at 19 must pay \$170.05 (19% of remaining principal amount of \$895), plus \$13.34 interest, plus \$2.50 commission, a total of \$185.89. Total proceeds to him, if the Fair is right, will be \$188. The difference of \$2.11 would be the profit for risking a few hundred dollars for two months; close figuring for assumption of the risk that demolition or other expenses might be more than Fair management figured when it published the 18.8% estimate.

COMMODITIES

Surprise in Lead

Foreign metal is climbing tariff wall to threaten price that has been firm in spite of advance. Buyers worry.

Nervous metal markets have been with us long enough now so that they are fast becoming the accepted thing rather than the unexpected. And the moment a person stops paying close attention to them it's pretty nearly a cinch he'll miss something.

Ability of a manufacturer to utilize

foreign-mined copper in products designed for export was a case in point. So was the manner in which American mines came to the front when the Italo-Spanish cartel jacked up the price of quicksilver. So, too, was the British demand for zinc in this market after the Nazis captured the French and Belgian refineries.

• **Threat to Lead Price**—Now something new has developed in lead. Foreign metal is climbing the tariff wall and it threatens to hold down the price in a market which has been very firm even after the recent advance to 54¢ a lb., New York.

At the end of last week most lead buyers were buzzing over the statistics for September. They were worried. Consumers during that month had taken delivery on 64,365 tons, the largest total since the war-boom figure of last November. This exceeded the month's production by some 13,000 tons, resulting in a draft on visible supplies which pulled stocks down to 41,292 tons at the end of September.

Stocks on hand, at that level, are the smallest in many years. With industry going at its present clip, consumers would have good reason to worry about their lead supply if it weren't for imports. But those who leave foreign metal out of their calculations probably are making a mistake.

• **Mexico Feeds Market**—The United States has imported about 130,000 tons in bond so far this year, and exports, largely in manufactured form, have been about 21,000. An exact figure is hard to get, but a total of probably 60,000 to 70,000 tons of pig lead remains in bonded warehouses in this country.

Most of this lead has come from Mexico, a little from Peru. Apparently the owners of some of this metal can see at least a little bit of profit with the price at 54¢ a lb., because it is reported that a pretty fair tonnage of this foreign lead moved last week. (Pig lead pays a tariff of 24¢ a lb.)

JOLT FOR COMMODITIES

The boys in Washington have a habit of finding old laws or interpreting new ones so as to attain many interesting results. Now they have dug back into the statute books and managed to pull out one of last-war vintage that is of vital importance to all producers of commodities.

This law, it appears, says that the United States may import any commodity duty-free if it is required by the military services. This short-circuits all the recent talk about a cut in the excise tax on copper and the possibility of such agitation in connection with other raw materials. The statute probably was trotted out at this juncture to quell a copper market which very definitely has wanted to go up for some weeks.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

71,208 Shares **Gisholt Machine Company** Common Stock (\$10 Par Value)

Price \$17.75 per share

Copies of the Prospectus may be obtained from the undersigned only in states in which the undersigned are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

A. G. Becker & Co.
Incorporated

Alex. Brown & Sons Merrill Lynch, E. A. Pierce & Cassatt
Kidder, Peabody & Co. Lee Higginson Corporation

October 22, 1940.

This is under no circumstances to be construed as an offering of these Bonds for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Bonds. The offer is made only by means of the Prospectus.

NEW ISSUE

\$45,000,000 **THE YOUNGSTOWN SHEET AND TUBE COMPANY** First Mortgage Sinking Fund 3½% Bonds, Series D To be dated November 1, 1940 To be due November 1, 1950

Price 103% and Accrued Interest*

Copies of the Prospectus may be obtained from such of the several undersigned, including the undersigned, as may legally offer these Bonds in compliance with the securities laws of the respective States.

KUHN, LOEB & CO.		SMITH, BARNEY & CO.
HARRIMAN RIPLEY & CO. <small>Incorporated</small>	THE FIRST BOSTON CORPORATION	BLYTH & CO., INC.
HAYDEN, STONE & CO.	GOLDMAN, SACHS & CO.	BONBRIGHT & COMPANY <small>Incorporated</small>
LEHMAN BROTHERS	KIDDER, PEABODY & CO.	LEE HIGGINSON CORPORATION
LAZARD FRERES & CO.	GLORE, FORGAN & CO.	WHITE, WELD & CO.
UNION SECURITIES CORPORATION		W. E. HUTTON & CO.

October 23, 1940.

BUSINESS ABROAD

British Lesson

What will happen in case U.S. armament requires cut in production of non-essentials is foreshadowed in England.

The United States may be getting past the stage of its war effort where it can build more and more guns and still have its butter—meaning in our case automobiles and other general luxury goods.

Of the \$15,000,000,000 which the United States has appropriated for defense, only \$8,000,000,000 has reached the contract stage. And yet, the creation of a priorities board more than a week ago was a warning that war orders are coming faster now than even this country may be able to absorb them—at least if the goods are to be turned out at the speed which Washington and London are demanding. This week another \$2,000,000,000 is being added to the domestic aviation program (page 17), and British orders which ran to \$780,000,000 during the first war year are expected to pass \$1,000,000,000 next year if the United States can meet the delivery demand.

• **Watch Britain**—As a result of the warning implied in the creation of the priorities board, Americans are beginning to check up on the experience of the British in handling a similar situation, despite the different supply and industrial capacity conditions in the two countries.

London, for example, is flooded with protests from the silk-hosiery industry this week because of the new ruling that war demands for silk make it impossible to allow the manufacture of silk stockings after the end of November. Both Britain and the United States import all of their silk from abroad—most of it from Japan.

• **An Industry Shifts**—The British, on the other hand, can no longer get a license to operate a new automobile except in war service. Automotive authorities declare that just 400 new cars remain in dealers' hands to meet the entire British civilian demand, because the whole British automobile industry has been compelled to shift to the production of trucks, tanks, airplanes, or other military needs. But Britain's motor industry in a good year made only 500,000 cars, compared with recent production of 4,000,000 cars in this country, and a peak output of nearly 6,000,000. The United States will need to curtail its consumption of automobiles only if

there is a bottleneck down the line—in the machine-tool trade or in the supply of special metals going into cars.

With the possibility that before the end of the winter the United States might find it necessary to restrict normal civil consumption in order to cope with the armament rush, the way Britain handled a forced shift from consumer to producer goods, and the effects on business after 14 months of war, take on greater interest than ever. Here's the record.

• **Report from London**—After Munich, all England realized it needed planes and guns and tanks more than new automobiles and vacuum cleaners and television sets.

In the program to speed up production—which became a race against time only after war was declared—Britain has tried a number of schemes to channel all effort away from the making of "non-essentials" (except for export) and into the output of desperately needed war supplies:

(1) Inflationary methods, including the placing of government orders in competition with private demand.

(2) General reduction of spending power through taxation.

(3) Specific taxation of particular consumer goods.

(4) Direct control of raw materials and limiting of supplies.

(5) Enforced diversion of labor.

• **Inflation Begins**—In the early stages of war production—long before war was declared—Britain made its first inflationary moves when the sub-contracting system was introduced by large engineering

firms working on military contracts. Several large companies in the field reckoned—and, as events proved, reckoned rightly—that they could step up their output most quickly if they planned their operations on the basis of sub-contracting the manufacture of parts to smaller factories capable of handling the job. This naturally had an inflationary effect because the terms had to be more attractive to the sub-contractor than the competing demand of private customers.

• **Sub-Contracting Spreads**—In the second phase—but also long before England was in the war—the government itself stepped into this same field and began handing out orders to firms which had never made military equipment before but which possessed plant and skilled labor which could be quickly transferred to defense production. Here again the terms had to be sufficiently attractive to compete with private demand.

Manufacturers of radios, household electrical equipment, textile machinery, agricultural equipment, and printing machinery, and certain railway repair shops were the first to be drawn into this war effort through sub-contracts. Britain has not yet absorbed all of the capacity in this field. Latest recruits have been dozens of large automobile repair stations which in some cases are able to take small sub-contracts or in others to assist in the pooling of machine tools for wartime production. And in the last few months, the decline in private building has released whole branches of the construction supply industries for war work.

• **Taxes Are Up**—Second move made by the British to curb the production of non-essentials was to reduce buying power by boosting taxes.

Britain's defense program has im-



British warships were at Piraeus, seaport of Athens (above), this week as the Axis extended the war into the Balkans by attacking Greece. Twofold

objective of the Axis is to dislodge the British from the eastern Mediterranean and Egypt and get to the oil fields of Iraq and Iran.

posed an uneven burden on workers. "White-collar" wage earners and salaried workers have received few pay boosts though the cost-of-living has risen 20%. In contrast, workers in the armament industries, especially those working heavy overtime, are earning tremendous wages compared with prewar standards. Undoubtedly "surplus income" in this class has increased greatly despite the rise in the cost of certain essentials and in spite of the wide response to the government's appeal for war loans.

The problem of the new high incomes in this large group of workers is being tackled now by an important alteration in the methods of collecting income taxes which became effective Nov. 1. Formerly most manual workers were exempt from income tax because in the vast majority of cases the cost of collection under the old system would have exceeded the tax payable. Now it is proposed to cut this Gordian knot by the simple expedient of compulsory deduction of tax by the employer.

• **Luxuries Are Hit**—Britain's third move—taxation of selected luxury or non-essential consumer goods in order to increase the retail price and reduce consumption—is a relatively recent move, the full effects of which are not yet known. Taxes on conventional necessities such as tobacco and alcohol have marched steadily upwards since the beginning of rearmament, but the increases were inspired more by the desire to boost revenue than to reduce consumption.

New ground was broken, however, with the introduction of the new sales tax in the July budget. Though whittled down in debate, this tax will produce considerable revenue, but it is aimed primarily at the curtailment of consumption. A long list of "luxury" items is to be taxed at the rate of 33 1/3% of the wholesale value (in most articles this is equivalent to about 25% on the retail price). Defined as luxuries by the government are furniture, hats, gloves, bedding, carpets, china and glassware, cutlery, baggage, watches, clocks, and jewelry, musical instruments and radios, typewriters, and road vehicles.

Listed as semi-luxuries, on which a considerably lower sales tax is imposed in the new decree, are clothing and footwear (except children's, which remains free), household utensils of common earthenware, household brooms and brushes, medicines and drugs.

• **More Controls**—Direct control of raw materials is undoubtedly the most potent and effective means of controlling civil consumption. It began in a few commodities on the eve of the outbreak of war and on the declaration of war was extended to every commodity of major importance and to a good many of minor importance.

The most complete example of control is provided in the food field where the Ministry of Food is a monopoly buyer abroad and at home for all important foodstuffs, and uses its control (1) to provide a sufficiency of staple foodstuffs, and (2) to manipulate prices so as to bring a satisfactory diet within the means of all classes.

• **How They Work**—The control of most raw materials is confined to (1) controlling the gross intake (and the source from which obtained), and (2) allotting priorities for distribution of supplies among different manufacturing interests. Raw-material supplies for most consumption goods have been drastically cut down, and this in itself has resulted in the reduction of the amount of new goods going into the stocks of retail distributors. But, in order to reinforce control exercised in this way, legislation was also introduced which limits compulsorily the deliveries of certain goods by manufacturers and wholesalers to the retail trade to a fixed proportion of the deliveries in a prewar period.

Woven textiles were the first to be affected. An order restricted deliveries to retailers in the period April-September of this year to three-quarters of the "normal" quantities. This particular regulation was tightened on Oct. 1, forcing deliveries to be cut to one-quarter of the "normal." A similar order, restricting deliveries to two-thirds by value of those in the "normal" period, was imposed on another long list of goods—including toys, perfumery, leather goods, electrical appliances, and pottery—for the period from June to November and it is expected that it will be tightened when it is extended.

• **Lenient with Labor**—The government for some time has had extensive powers on paper to compel anybody to do anything but so far, in the labor field, it has talked much bigger than it has acted. The reason for this probably is that so far there has been a fairly large revolving pool of unemployed constantly replenished by new entrants thrown out of work by the other measures to cut down civil consumption. This pool has probably been capable of supplying candidates for retraining as fast as the training establishments have been able to absorb them.

Further steps in this direction are expected soon. All workers in the engineering industries which are not already working on war production were compelled recently to register. They will be left where they are for the moment, but they are liable to be called upon at any time to fill gaps, even temporary gaps. There is also talk of transferring miners from one district to another in order to get a better balanced labor supply in the coal industry. But so far in this war labor is being handled delicately and, even if additional controls are imposed, benefits are likely to be commensurate.

PAINT

*"I Try To Keep My Eye on a Star;
My Feet On The Ground."—
R. G. Le Tourneau.*



In Stockton, California; Peoria, Illinois; and Toccoa, Georgia, are plants devoted to earth moving. These plants are part of a fabulous company known as R. G. Le Tourneau, Inc.

This is a young company, founded only ten years ago. Its sales record in 10 years is as spectacular as its earth-moving.

Year	Sales	Year	Sales
1930—	\$ 110,808.60	1935—	\$2,004,595.86
1931—	155,345.08	1936—	4,392,402.68
1932—	207,236.81	1937—	5,674,305.24
1933—	379,106.53	1938—	6,246,846.05
1934—	929,860.67	1939—	7,731,325.16

In 1935, W. R. Smith, a Sherwin-Williams Painting Engineer, was present when Mr. Le Tourneau broke ground for a small plant at Peoria, Illinois. Since then it has become company headquarters, coordinating the pioneer plant at Stockton, California, and the recent branch at Toccoa, Georgia. And, since then, plant and product have been coated with Sherwin-Williams Industrial Finishes.

If paint has to "take it" any harder anywhere than on Le Tourneau equipment, that company and Sherwin-Williams would like to know about it. Every day's work is an accelerated paint-aging test for the coating which must withstand gravel, dirt, stone, sun, rain, heat and cold. And while most equipment has the protection of at least a crude lean-to in its off hours and off season, not the "world's most complete line of modern tractor-drawn earth moving tools." When they go out, they go outside for keeps. So does the bright Le Tourneau yellow, produced by Sherwin-Williams, which so brilliantly identifies and as brilliantly protects every piece of Le Tourneau equipment.

All the tough jobs are not big jobs. Finishing an oil burner where temperatures are high; a mixer where alkalies are strong; or any of a thousand jobs, big and little, are right in line with Sherwin-Williams' vast paint experience. We invite you to take advantage of it. Write The Sherwin-Williams Company, Cleveland, Ohio. No obligation.

**SHERWIN-
WILLIAMS**

INDUSTRIAL FINISHES





PUTS "Metal Failure" ON THE SPOT

BUILT at a cost of \$50,000, this giant X-Ray machine is used to test and analyze the vital metals built into Lockheed airplanes. No hidden flaw, no weakness, can escape its searching analysis.

Under this most severe of all tests, AMPCO METAL fully meets rigid aviation specifications for parts subjected to extreme wear, impact, stress and fatigue.

By EVERY Test

— This remarkable bronze has proved itself "the metal without an equal". Tough, hard, amazingly resistant to wear, shock and corrosion, AMPCO METAL repeatedly makes good where all other metals fail.

How About YOUR Product?

If "metal failure" is causing trouble in either your production tools or product — try AMPCO METAL. Tell us what you need — we'll send you full data.

AMPCO METAL, INC.
Dept. BW-11 Milwaukee, Wis.



What Russia Buys from the United States

	1937	1938	1939	1940* (9 months)
Total	\$42,829,343	\$69,603,238	\$51,808,490	\$58,524,000
Petroleum products	3,271,294	3,103,915	1,172,118	996,680
Nonmetallic minerals	2,622,236	2,739,929	1,064,609	186,894
Abrasives	770,050	769,819	415,296	.....
Electrodes	1,795,344	1,873,129	795,416	.....
Iron & steel semi-manufactures	6,546,403	5,302,911	2,075,388	955,694
Steel sheets (stainless)	225,382	93,040	40,230	.....
Steel sheets (non-alloy)	3,161,941	2,996,704	1,425,779	.....
Strips	886,744	1,070,546	267,288	.....
Tinplate	1,023,453	775,304	.....	.....
Steel mill manufactures	2,246,457	1,368,904	2,840	915,694
Tubes	769,481	839,470	193,621	.....
Wire	487,514	265,988	75,285	.....
Iron & steel advanced mfgs.	345,119	1,016,663	190,281	121,699
Hand tools	4,504	226,543	16,439	.....
Ferro-alloys	3,775,702	3,267,532	6,739,818	516,928
Non-ferrous metals	714,181	1,285,871	8,395,621	19,240,045
Aluminum	104,506	1,148,481	820,157	.....
Copper	442,194	13,196	6,217,876	.....
Nickel, chrome	53,978	87,190	5,129	.....
Electrical machinery	2,475,760	3,421,452	3,129,594	2,682,815
Motors, starters	201,983	581,016	755,326	.....
Industrial electric furnaces	153,294	1,509,744	888,521	.....
Signal devices	1,394,457	273,030	242,764	.....
Industrial machinery	13,603,238	40,167,325	21,389,216	28,819,680
Oil drilling & refining	3,346,004	582,056	622,240	1,288,812
Machine tools	6,953,929	35,162,867	18,628,384	19,399,698
Office appliances	326,344	23,757	14,985	16,385
Printing & bookbinding machinery	110,742	77,067	68,632	10,017
Agricultural machinery	2,883	5,811	5,281	9,214
Aircraft	2,985,471	5,171,303	1,772,407	230,236

* Not all categories available.

Soviet Birthday

It won't be happy, but industrial progress will be celebrated by a nation that is important U.S. customer.

On Nov. 7 the Soviet Union will be 23 years old, but it is not going to be one of Russia's happiest birthdays.

In Bessarabia massed troops line the Rumanian border which is now manned with grim-faced German soldiers. In the Caucasus, where Russia still gets 80% of its oil, soldiers and workmen are feverishly building military airdromes. Turks across the border are friendly, but this most strategic of Soviet territories is less than two hours' flight from the great Mosul oil fields which the Axis nations covet. In the Far East there is still little confidence in the relations with Japan.

• **Birthday Party**—But Moscow will celebrate. There will be a long parade through Red Square. The morning newspapers will be filled with stories of Soviet achievements. And in the skyscraper headquarters of the Supreme Planning Commission, elaborate charts will show where Russian industry is headed in the Third Five-Year Plan, which ends in 1942.

To Americans, Russia's record of progress toward industrialization is in-

creasingly impressive, even when lined up against United States production.

	U.S.S.R.			U.S.A.
	1928	1937	1942*	1939
Steel (million tons) ..	3.4	14.5	22.0	45.0
Coal (million tons) ..	35.8	127.3	243.0	389.0
Oil (million tons) ..	11.5	30.5	54.0	1,266.0
Electric Power (bil. kw.hr.)	3.0	36.4	75.0	126.0

* Planned production

• **Old Customer**—What interest Americans even "more are Russia's purchases in this country (see table). Running steadily between \$4,000,000 and \$6,000,000 a month, they are small now compared with Britain's orders, but the machine industries, remembering the importance of Soviet orders during the slack years between 1930 and 1935, have been reluctant to see Moscow squeezed completely out of the market in the rush of defense business. In the last three years, machine tools have consistently been the largest single item in demand by Moscow, though non-ferrous metals, especially copper, are in heavy demand this year.

• **What Russia Buys**—Features of Soviet buying in the last few months have been large purchases of oil drilling and refining equipment, pressure pumps for huge new pipe lines, large purchases of stainless steel, and equipment for moving ores in quantity in order to speed up the mining industry. Within the last few weeks, Russian purchases have featured a comparatively dull cotton export market.

PROFIT & LOSS

Walking Testimonial

On the lighter side of the draft—and it can certainly stand more weight over on that side—there's the story about the fellow who went to register in Hickory, N. C., and told the officials who asked him whether he had any identifying marks that the only one he had was "home comfort." That stumped them. "Home comfort?" they said, "What's that?"

"It's my identifying mark," the fellow said desperately, yanking up his shirt and showing the crowd the brand he got on his stomach when he fell against a hot stove when he was young. Plain as day you could still read the stove's trademark on his middle. Sure enough, it said "HOME COMFORT."

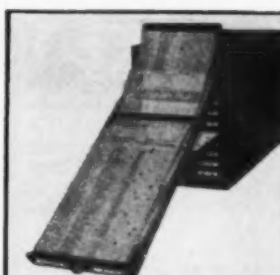
Skilled Labor

An inland tent manufacturer was all set up recently when he got a whopping big order from the Army for tarpaulins. In filling the contract, though, he discovered to his dismay that the Army inspectors were pretty fussy about the way in which the ropes were spliced onto the canvas of the tarpaulins. None of the workmen seemed to have the knack of splicing them the way the Army liked—and what's more, the manufacturer couldn't round up any men in town who did have the knack. He thought longingly of how simple everything would be if he were only located on the seaboard, where any sailor on a wharf would know how to splice a neat rope. Realizing that daydreaming like this wouldn't get his ropes spliced right, however, he buckled down to facing his problem realistically. He fretted about it for days, and then one morning the solution came to him just like that. Now everything's dandy. The manufacturer hasn't any more worries, the Army inspectors are delighted with the company's rope-splicing technique, and a lot of Boy Scouts are doing a lot of good turns every day—with pay.

Amateur

We've just heard a story that literally makes our palms itch, about a prominent lawyer who knows next to nothing about the stock market, ignores it consistently for years at a time, but plays it to the limit just before every national election. He buys a day or two before the election and sells a day or two after—it's just as simple as that. Then he usually goes to Nova Scotia on a moose-hunting trip to celebrate his victory. Victory is the word for it, too. Last election he made \$7,000.

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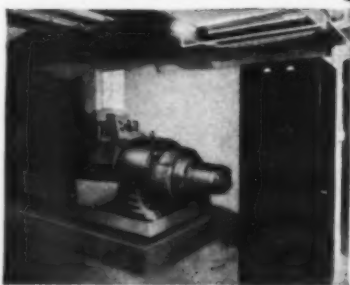
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Business Week—Nov. 2, 1940

AIR TRANSPORT ASSOCIATION OF AMERICA.....45	ILG ELECTRIC VENTILATING CO.....23
Agency—ERWIN, WAREY & CO., INC.	Agency—HOWARD H. MONK & ASSOCIATES
AMERICAN MUTUAL LIABILITY INSURANCE CO.....9	KEASBEY & MATTISON CO.....6
Agency—JAMES THOMAS CHIRURG CO.	Agency—GRABER-MARSTON, INC.
AMERICAN TELEPHONE & TELEGRAPH CO.....Third Cover	KOPPERS CO.....4th Cover
Agency—NEWELL-EMMETT CO., INC.	Agency—KETCHUM, MACLEOD & GROVE, INC.
AMPICO METAL, INC.....40	LANE-WELLS CO.....55
Agency—KLAU-VAN PIERERSON-DUNLAP ASSO., INC.	Agency—THE MCCARTY CO.
BAKER INDUSTRIAL TRUCK DIVISION OF THE BAKER RAULANG CO.....38	THE LIQUIDOMETER CORP.....63
Agency—G. M. BARFORD CO.	Agency—LUCERNA CO., INC.
THE BALDWIN LOCOMOTIVE WORKS.....49	METROPOLITAN LIFE INSURANCE CO.....21
BARDCO MANUFACTURING & SALES CO.....81	Agency—YOUNG & RUBICAM, INC.
Agency—WEBB & ASSOCIATES, INC.	MORTON SALT CO.....4
A. G. BECKER & CO., INC.....57	Agency—KLAU-VAN PIERERSON-DUNLAP ASSO., INC.
Agency—BUCHANAN & CO., INC.	NASH MOTOR DIVISION, NASH-KELVINATOR CORP.....31
JAMES W. BELL & CO., INC.....54	Agency—GETER, CORNELL & NEWELL, INC.
Agency—RICKARD & CO.	NEWELL-EMMETT CO., INC.....4
BLAW-KNOX CO.....30	Agency—NEWELL-EMMETT CO., INC.
Agency—AL PAUL LIFTON CO., INC.	NORFOLK & WESTERN RAILWAY CO.....42
THE BROWN INSTRUMENT CO.....25	Agency—HOUCK & CO.
Agency—ADDISON LEWIS & ASSOCIATES	NORTON CO.....34
BURROUGHS ADDING MACHINE CO.....19	Agency—JOHN W. ODLIN CO., INC.
Agency—CAMPBELL-EWARD CO., INC.	PARK-SHERMAN CO.....38
CANADIAN PACIFIC RAILWAY CO.....63	Agency—MARVIN GREEN, INC.
Agency—KENTON & ECKHARDT, INC.	PORTLAND CEMENT ASSOCIATION.....39
CENTURY ELECTRIC CO.....5	Agency—ROCHE, WILLIAMS & CUNNINGHAM, INC.
Agency—OAKLEIGH B. FRENCH & ASSOCIATES	PULLMAN-STANDARD CAR MANUFACTURING CO.....41
CHESAPEAKE & OHIO LINES.....29	Agency—CHARLES DANIEL FREY CO.
Agency—McCANN-ERICKSON, INC.	S. K. F. INDUSTRIES, INC.....33
CLARAGE FAN CO.....10	Agency—MARSHALL & PRATT, INC.
Agency—W. J. WILLIAMS ADVERTISING AGENCY	THE SATURDAY EVENING POST.....3
DUREZ PLASTICS & CHEMICALS, INC.....53	Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.
Agency—J. M. MATHER, INC.	SCOTT PAPER CO.....43
ELLIOTT ADDRESSING MACHINE CO.....22	Agency—J. WALTER THOMPSON CO.
Agency—ALLEY & RICHARDS CO.	SHERWIN-WILLIAMS CO.....59
EMANUEL & CO.....56	Agency—T. J. MALONEY, INC.
Agency—ALBERT FRANK-GUNTHER LAW, INC.	SMITH, BARNEY & CO.....57
GENERAL ELECTRIC CO.....37	Agency—ALBERT FRANK-GUNTHER LAW, INC.
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.	THE STUDEBAKER SALES CORP. OF AMERICA.....51
GENERAL ELECTRIC CO.....12	Agency—ROCHE, WILLIAMS & CUNNINGHAM, INC.
Agency—LEIGHTON & NELSON	UNION CENTRAL LIFE INSURANCE CO.....47
THE GLOBE-WERNICKE CO.....61	Agency—J. WALTER THOMPSON CO.
THE B. F. GOODRICH CO.....1	VAUGHAN MOTOR CO.....56
Agency—THE GRISWOLD-ENGLEMAN CO.	Agency—BRACMONT & HOHMAN, INC.
HARTFORD STEAM BOILER INSPECTION & INSURANCE CO.....2	WARNER & SWASEY CO.....2nd Cover
Agency—N. W. AYER & SON, INC.	Agency—THE GRISWOLD-ENGLEMAN CO.
HERCULES POWDER CO., INC.....52	WESTINGHOUSE ELECTRIC & MANUFACTURING CO.....27
Agency—FULLER & SMITH & ROSS, INC.	Agency—FULLER & SMITH & ROSS, INC.
HOTEL MAYFAIR.....54	WILSON MEMINDEX CO.....4
Agency—GARDNER ADVERTISING CO.	Agency—STEWART, HANFORD & CARLER, INC.
	YALE & TOWNE MANUFACTURING CO.....35
	Agency—REDFIELD-JOHNSTONE-MCNEVIN

this story, Business Week's statistician sat down and figured out how the lawyer, or anybody else who tried it, would have made out under this system in all the national elections from 1900 to date. (The figures in each column show the change in the Dow-Jones Industrial Averages as compared with the closing averages on the day before election.)

	Day after election	Two days after	Three days after
1936....	+3.41	+5.57	+4.93
1932....	—0.01	+0.18	—2.89
1928....	+3.10	+3.53	+5.47
1924....	+1.22	+0.17	—0.97
1920....	—0.50	—1.03	—2.00
1916....	—0.38	+0.47	+0.44
1912....	+1.65	+1.38	+1.03
1908....	+1.97	+2.31	+4.38
1904....	+0.86	+1.37	+1.82
1900....	+2.03	+2.89	+4.28

As is all too plain, the lawyer, and Business Week's statistician, and we, and you too, would have made a profit in nine out of these ten election years.

Just to keep this story on a high plane, however, and correct any impression that Business Week is turning into a tip-sheet, we append the usual warning which the SEC now likes to have run with most financial offerings: "This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus."

Christenings

There's a new "sparklingly delicious and vitalizing drink, made from unusual, vitamin-laden fruit" that you mix with milk, which goes by the name of TUMMY TONER.

And Saks Fifth Ave., New York, has a two-piece set of "eyelash-weighting" winter underwear for women which it calls "Draft Evaders."

Fair Food

After the New York World's Fair shut down this week, the New York Times, in its usual thorough way, took a survey of the amount of food eaten at the exposition. The total number of frankfurters, hamburgers, pies, doughnuts, hams, yams, beers, pickles, chewing gum, aspirins and bicarbonates of soda consumed was so large, though, that when the Times inevitably tried to stretch them all end to end and get them to reach somewhere, the only result it could arrive at was an unimaginative but perfectly understandable "mountainous mass."

Sound Bet

Sulka, New York haberdasher, says it's found the oldest election-bet necktie. A customer who won it betting on Wilson to beat Taft 28 years ago brought it back for overhauling the other day.

THE TRADING POST

Our New Dress

Last week this department warned you to expect your Business Week in a new dress. Well, here it is.

When a magazine such as this makes any substantial change in its form or content some explanation to its readers is in order. That's because Business Week means something more to its readers than mere casual reading. It's one of their business tools. It is designed for the practical use of management executives in the conduct of their day's work.

That's why we undertook last summer a periodic recheck of the magazine's form to see whether we could make a good tool better by making it more usable, easier to handle and apply. And that, too, is why we decided to call in Walter Dorwin Teague.

For Mr. Teague is more than an artist and a typographer: he is an industrial designer, a skilled and practical craftsman, accustomed to dealing with things useful rather than things ornamental. Among his clients he numbers some of America's foremost industrial companies; among the products he has designed are cameras, automobiles, machine tools, railroad trains, gas service stations, and many others.

Business Week was submitted to Mr. Teague for the same reason that all these products were turned over to him: we wanted to make our product more attractive, easier to take, more usable, more useful. Let him describe his job:

"The redesign of Business Week," he writes, "was accomplished by exactly the same methods I use in designing any manufactured product: I studied the magazine's use, its structure and its production and endeavored to develop a form that would not only be pleasing, but would also enable it to function more efficiently and to be manufactured with greater ease.

"Business Week's readers as a class are busy men. Therefore it was obvious that simplicity, clarity, ease and speed of reading should be the objectives aimed at in our design.

"The first step was the selection of an extremely legible typeface for the text. This is the Linotype Electra. Legibility in type depends principally on clear differentiation of letter forms with characteristic differences in width and contour of letters. These conditions are met by Electra, which is, in addition, a very beautiful face.

"For all headlines, I chose a clean-cut, legible sans-serif type, the Ludlow Tempo face, and these two—Electra and Tempo—are used throughout, with the number of different sizes and weights reduced to a minimum. Variations in



Walter Dorwin Teague, designer.

typographic arrangement have been worked out with great care and are surprisingly few—and each one is significant.

Mr. Teague's ideas have been carried through from front cover to editorial page. As you see, there are no radical departures. Other than the new typefaces, the changes are: (1) A burst of type on the redesigned cover, calling attention to some important feature inside; (2) a Contents Page, which combines a new index to the departments and swift, terse summaries of certain stories in the issue; (3) a new arrangement of the Business Index chart, which makes it easier to compare the current year with the last couple of years; (4) a new head for the editorial page—"The Trend"—which defines its appointed job of basic economic appraisal, doing for the long term what "The Outlook," up front, does for the short term; (5) a new home for the Regional Outlook in the Marketing department, where it appears in a more compressed package for the use of busy advertising and sales executives; (6) removal and rechristening of the old New Business department. Under the head "Profit & Loss," it will appear in the back of the book to satisfy a perennial call for some humorous or light spot in the magazine.

For the rest, Business Week will remain about as you have known it, subject only to such changes as may be necessary to keep it securely in the place its readers have made for it as the weekly news magazine of business management. It's your paper; we shall be glad to hear how you like its new dress. W.C.

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THE TREND

THE FALLING RATE OF PROFIT

Anybody who has faced the problem of investing money these last few years—from the man or woman who puts a few dollars in the savings bank every week to the corporation treasurer who buys short-term governments with idle cash—knows that capital has had a hard time earning a living. Savings banks have paid as little as 3% or 2% on deposits, and even less. The U. S. Treasury has been just as skimpy in paying for the use of money. In July Secretary Morgenthau sold an issue of long-term 2½s and last month he followed that up with 12-year 2s. And many a corporation that was glad to put out 4½% or 5% coupon bonds in 1929 is now refunding with 3½s or even 3s, and getting a price above par.

Such low interest rates are more than a commentary on an apathetic money market. Years back economists assumed that cheap money was a normal precursor of business expansion; for if business men and entrepreneurs could borrow money at low cost they would be willing—nay, anxious—to engage in new undertakings. But during the depression that theory went the way of a lot of other theories. Money was cheap, but business men did not borrow.

• That nice, pat economic theory exploded because there was no incentive to go into business, or to expand. Even if business men had been daring enough to go into debt at fire-sale interest rates, the odds were against earning more than the cost of the borrowed money. For during the last dozen years American corporations have been operating at a falling rate of profit; from 1926 through 1937, the return on invested capital has been less than 1.7%—hardly sufficient to give anyone the fidgets to enter business.

These particular 12 years have not been selected to make a point. Indeed, as periods go, the years are nicely distributed: four old-era years, 1926 through 1929; four depression years, 1930 through 1933; four Roosevelt recovery years, 1934 through 1937. Nor was business particularly profitable in the so-called "prosperous '20s." In 1928 the rate of profit was only 5.3%, at a time when government bonds were selling to return about 3.9%. Thus at the sacrifice of 1.4% interest, a business man could put his capital in a virtually riskless investment without the worries of trying to meet a payroll, or gauging prices right in laying in inventories, or courting the other vicissitudes that beset corporations. That on the threshold of the '29 boom, when logically profits should have been considerably above the interest rate!

• And as years passed, the rate of profit fell more and more. It became less and less attractive to risk capital in a new enterprise. Cheap money could not offset the high hazards of doing business. Moreover—and here is a paradox—despite the fact that government interest rates were rapidly declining, government bonds became increasingly more interesting as investments. For, as the

following tabulation shows, the rate of profit dropped more sharply than the Treasury interest rate:

Year	Net Income of All Corporations*	Invested Capital**	Rate of Return**	Average Rate of Return on Government Bonds***
1926...	\$6,775,000,000	\$119,260,000,000	5.7%	4.1%
1927...	5,880,000,000	132,403,000,000	4.4	4.0
1928...	7,566,000,000	142,887,000,000	5.3	3.9
1929...	8,084,000,000	160,369,000,000	5.0	3.9
1930...	1,365,000,000	161,282,000,000	.8	3.8
1931...	d3,145,000,000	143,363,000,000	...	3.6
1932...	d5,376,000,000	133,569,000,000	...	3.5
1933...	d2,378,000,000	127,578,000,000	...	3.4
1934...	157,000,000	141,585,000,000	.1	3.2
1935...	1,675,000,000	138,931,000,000	1.2	2.7
1936...	3,904,000,000	133,469,000,000	2.9	2.6
1937...	3,872,000,000	141,633,000,000	2.7	2.6
Average...	2,365,000,000	139,964,000,000	1.7	...

* After taxes; includes interest on tax-exempt securities, but excludes intercorporate dividends.

** Includes only corporations which submit balance sheets to Treasury, or about 87% of all corporations. Thus capital indicated is less than the capital of all corporations, and accordingly the rate of return shown is higher than the actual rate of return on the capital of all corporations.

*** Fiscal years ended June 30.

d—deficit.

For the cool, calculating investor, the meaning of this falling rate of profit is unmistakable: get out of common stocks and into government bonds. But that is a *reductio ad absurdum*. Obviously all investors cannot get out of common stocks; there would come a time when stocks would have to be given away. And if all corporations liquidated in order to invest capital in government bonds, the owners of the corporations would defeat their own purposes. There would be no business at all and the government would have no source of taxes out of which to pay the interest on the government bonds the investors bought.

Right now industrial expansion is under way. Corporations, after many years of hesitation, have re-entered the capital markets to borrow money; commercial loans, too, are increasing. National defense has provided the incentive to buy new plant and machinery. American business seemingly has entered an era of high industrial turnover. Question: Will this high rate of turnover result in a rising, instead of a falling, rate of profit?

• A turn in the profit rate occurred in 1934, and, though there was a decline in 1938, a comeback took place last year. And 1940 probably will show a further advance, despite the double tax boost this year. But, even so, the spread between the long-term governments and the rate of return on corporation capital would still be only a few tenths of a point, and the easiest and safest way out of an investment problem would still seem to be a government bond. All of which adds up to this:

The trouble with the profit system the last dozen years is not that it hasn't worked but that there just haven't been profits.

The Editors of Business Week

Business Week • November 2, 1940

BUS. A
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Age Rate
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bonds**

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